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## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF CAPSTONE COPPER CORP. FOR THE THREE MONTHS ENDED MARCH 31, 2023**

Capstone Copper Corp. ("Capstone Copper" or the "Company" or "we") has prepared the following management's discussion and analysis (the "MD&A") as of May 2, 2023 and it should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and notes thereto for the three months ended March 31, 2023. All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts presented are United States ("US") dollars unless otherwise stated. "C\$" refers to Canadian dollars.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

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

Forward-looking statements relate to future events or future performance and reflect our expectations or beliefs regarding future events. Our sustainable Development Strategy goals and strategies are based on a number of assumptions, including regarding the biodiversity and climate-change consequences; availability and effectiveness of technologies needed to achieve our sustainability goals and priorities; availability of land or other opportunities for conservation, rehabilitation or capacity building on commercially reasonable terms and our ability to obtain any required external approvals or consensus for such opportunities; the availability of clean energy sources and zero-emissions alternatives for transportation on reasonable terms; our ability to successfully implement new technology; and the performance of new technologies in accordance with our expectations.

Forward-looking statements include, but are not limited to, statements with respect to the estimation of Mineral Resources and Mineral Reserves, the success of the underground paste backfill and tailings filtration projects at Cozamin, the timing and cost of the construction of the paste backfill and dry stack tailings plant at Cozamin, the success and timing of the MB-CDP (as defined below), the timing and cost of the MV Development Project, the timing and results of the Pinto Valley pre-feasibility study ("PV4 PFS"), the expected reduction in capital requirements for the Santo Domingo project, the timing and success of the Cobalt Study for Santo Domingo, the timing and results of the integrated plan for Mantoverde – Santo Domingo, the realization of Mineral Reserve estimates, the timing and amount of estimated future production, the costs of production and capital expenditures and reclamation, the budgets for exploration at Cozamin, Santo Domingo, Pinto Valley, Mantos Blancos, Mantoverde, and other exploration projects, the timing and success of the Copper Cities project, the success of our mining operations, the continuing success of mineral exploration, the estimations for potential quantities and grade of inferred resources and exploration targets, our ability to fund future exploration activities, our ability to finance the Santo Domingo project, environmental risks, unanticipated reclamation expenses and title disputes, the success of the synergies and catalysts related to prior transactions, in particular the potential synergies with Mantoverde and Santo Domingo, the anticipated future production, costs of production, including the cost of sulphuric acid and oil and other fuel, capital expenditures and reclamation of Company's operations and development projects and the risks included in our continuous disclosure filings on SEDAR at [www.sedar.com](http://www.sedar.com). The potential effects of the COVID-19 pandemic on our business and operations are unknown at this time, including Capstone's ability to manage challenges and restrictions arising from COVID-19 in the communities in which Capstone operates and our ability to continue to safely operate. The impact of COVID-19 to Capstone is dependent on a number of factors outside of our control and knowledge, including the effectiveness of the measures taken by public health and governmental authorities to combat the spread of the disease, global economic uncertainties and outlook due to the disease, supply chain delays resulting in lack of availability of supplies, goods and equipment, and evolving restrictions relating to mining activities and to travel in certain jurisdictions in which we operate. In certain cases, forward-looking statements can be identified by the use of words such as "anticipates", "approximately", "believes", "budget", "estimates", "expects", "forecasts", "guidance", "intends", "plans", "scheduled", "target", or variations of such words and phrases, or statements that certain actions, events or results "be achieved", "could", "may", "might", "occur", "should", "will be taken" or "would" or the negative of these terms or comparable terminology.

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Such factors include, amongst others, risks related to inherent hazards associated with mining operations and closure of mining projects, future prices of copper and other metals, compliance with financial covenants, surety bonding, our ability to raise capital, Capstone Copper’s ability to acquire properties for growth, counterparty risks associated with sales of our metals, use of financial derivative instruments and associated counterparty risks, foreign currency exchange rate fluctuations, market access restrictions or tariffs, changes in general economic conditions, availability and quality of water, accuracy of Mineral Resource and Mineral Reserve estimates, operating in foreign jurisdictions with risk of changes to governmental regulation, compliance with governmental regulations, compliance with environmental laws and regulations, reliance on approvals, licences and permits from governmental authorities and potential legal challenges to permit applications, contractual risks including but not limited to, our ability to meet the completion test requirements under the Cozamin Silver Stream Agreement with Wheaton Precious Metals Corp. (“Wheaton”), our ability to meet certain closing conditions under the Santo Domingo Gold Stream Agreement with Wheaton, acting as Indemnitor for Minto Metals Corp.’s surety bond obligations post divestiture, impact of climate change and changes to climatic conditions at our operations and projects, changes in regulatory requirements and policy related to climate change and greenhouse gas (“GHG”) emissions, land reclamation and mine closure obligations, aboriginal title claims and rights to consultation and accommodation, risks relating to widespread epidemics or pandemic outbreak including the COVID-19 pandemic; the impact of COVID-19 on our workforce, risks related to construction activities at our operations and development projects, suppliers and other essential resources and what effect those impacts, if they occur, would have on our business, including our ability to access goods and supplies, the ability to transport our products and impacts on employee productivity, the risks in connection with the operations, cash flow and results of Capstone Copper relating to the unknown duration and impact of the COVID-19 pandemic, impacts of inflation, geopolitical events and the effects of global supply chain disruptions, uncertainties and risks related to the potential development of the Santo Domingo project, risks related to the Mantos Blancos Concentrator Debottlenecking Project and the Mantoverde Development Project, increased operating and capital costs, increased cost of reclamation, challenges to title to our mineral properties, increased taxes in jurisdictions the Company operates or is subject to tax, changes in tax regimes we are subject to and any changes in law or interpretation of law may be difficult to react to in an efficient manner, maintaining ongoing social licence to operate, seismicity and its effects on our operations and communities in which we operate, dependence on key management personnel, potential conflicts of interest involving our directors and officers, corruption and bribery, limitations inherent in our insurance coverage, labour relations, increasing input costs such as those related to sulphuric acid, electricity, fuel and supplies, increasing inflation rates, competition in the mining industry including but not limited to competition for skilled labour, risks associated with joint venture partners and non-controlling shareholders or associates, our ability to integrate new acquisitions and new technology into our operations, cybersecurity threats, legal proceedings, the volatility of the price of the common shares, the uncertainty of maintaining a liquid trading market for the common shares, risks related to dilution to existing shareholders if stock options or other convertible securities are exercised, the history of Capstone Copper with respect to not paying dividends and anticipation of not paying dividends in the foreseeable future and sales of common shares by existing shareholders can reduce trading prices, and other risks of the mining industry as well as those factors detailed from time to time in the Company’s interim and annual financial statements and MD&A of those statements and Annual Information Form, all of which are filed and available for review under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause our actual results, performance or achievements to differ materially from those described in our forward-looking statements, there may be other factors that cause our results, performance or achievements not to be as anticipated, estimated or intended. There can be no assurance that our forward-looking statements will prove to be accurate, as our actual results, performance or achievements could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on our forward-looking statements.

## 1.0 BUSINESS OVERVIEW

The accompanying consolidated financial statements have been prepared as at March 31, 2023, after giving effect to the business combination of Capstone Mining Corp. ("Capstone Mining") and Mantos Copper (Bermuda) Ltd. ("Mantos"), which was completed on March 23, 2022 (the "Transaction"). Mantos is the legal acquirer of Capstone Mining, and after the Transaction, the combined entity changed its name to Capstone Copper Corp. The Company is listed on the Toronto Stock Exchange ("TSX").

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

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

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

## 2.0 Q1 2023 HIGHLIGHTS AND SIGNIFICANT ITEMS

### Q1 2023 Financial and Operational Highlights

- **Net loss of \$29.0 million, or \$(0.03) per share for Q1 2023. Adjusted net income<sup>1</sup> of \$8.5 million, or \$0.02 per share for Q1 2023.** Q1 2023 results are lower compared to the same quarter last year due to a lower realized copper price, inflationary pressure on costs, and an inventory build-up due to a sales lag in the availability of ocean going vessels for cathode shipments which totaled 2.4 thousand tonnes of copper. Given the strengthening Chilean peso, net income includes a realized foreign exchange loss of \$8.5 million.
- **Adjusted EBITDA<sup>1</sup> of \$65.3 million for Q1 2023 compared to \$123.4 million for Q1 2022.** The decrease in Adjusted EBITDA<sup>1</sup> is driven by a lower realized copper price, a sales lag, inflationary pressure on costs, and realized foreign exchange loss of \$8.5 million and realized derivative loss of \$8.4 million.
- **Operating cash flow before changes in working capital of \$41.7 million in Q1 2023** compared to \$70.4 million in Q1 2022.
- **Consolidated copper production for Q1 2023 of 40.7 thousand tonnes at C1 cash costs<sup>1</sup> of \$2.96/lb.** Copper production was lower than expected in the first quarter due to unfavorable weather at Pinto Valley and maintenance downtime at Mantos Blancos focused on increasing mill throughput which translated into higher consolidated cash costs.
- The Company **reiterates the 2023 guidance of 170-190kt of copper production at \$2.50-\$2.70 per pound**, along with capital guidance (including capitalized stripping) of \$620 million. We **expect production to be back-half weighted, with sequential quarter-over-quarter improvements in copper production**, notably at Pinto Valley.
- **Mantoverde Development Project ("MVDP") remains on budget and on schedule.** Construction is progressing well on all key areas of the project. Total project spend inception-to-date was approximately \$654 million at the end of March 2023 of a total budget of \$825 million.
- **Total available liquidity<sup>1</sup> of \$529.1 million as at March 31, 2023**, composed of \$101.1 million of cash and short-term investments, and \$428.0 million of undrawn amounts on the corporate revolving credit facility.
- On March 20, 2023, Capstone Copper announced a new Sustainable Development Strategy and the adoption of greenhouse gases ("GHG") emissions reduction targets to support the Company's commitment to responsible copper production.
- On March 31, 2023, the Company and its largest shareholder, Orion Resource Partners ("Orion") **completed a secondary bought offering of common shares** whereby Orion sold an aggregate of 57,500,000 common shares at a price of C\$5.70 per share. Subsequent to the completion of the offering, **Orion's shareholding decreased from approximately 32% to approximately 24%**.
- Subsequent to quarter-end, the Company announced the results of an **new Technical Report and life of mine plan for its Cozamin mine**. The updated life of mine plan includes average annual copper production of 20 thousand tonnes of copper and 1.3 million ounces of silver over eight years at average C1 costs<sup>1</sup> of \$1.51 per payable pound of copper.

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

## Operating Highlights

	Q1 2023	Q1 2022 <sup>3</sup>
<b>Copper production (000s tonnes)</b>		
<b><i>Sulphide business</i></b>		
Pinto Valley	12.9	14.4
Cozamin	5.2	5.9
Mantos Blancos	10.8	0.7
<b>Total sulphides</b>	<b>28.9</b>	<b>21.0</b>
<b><i>Cathode business</i></b>		
Mantos Blancos	3.3	0.3
Mantoverde <sup>2</sup>	8.5	1.2
<b>Total cathodes</b>	<b>11.8</b>	<b>1.5</b>
<b>Consolidated</b>	<b>40.7</b>	<b>22.5</b>
<b>Copper sales</b>		
Copper sold (000s tonnes)	37.5	25.5
Realized copper price <sup>1</sup> (\$/pound)	4.17	4.78
<b>C1 cash costs<sup>1</sup> (\$/pound) produced</b>		
<b><i>Sulphide business</i></b>		
Pinto Valley	3.09	2.60
Cozamin	1.72	1.12
Mantos Blancos	2.46	2.89
<b>Total sulphides</b>	<b>2.61</b>	<b>2.31</b>
<b><i>Cathode business</i></b>		
Mantos Blancos	3.36	4.38
Mantoverde	4.02	3.63
<b>Total cathodes</b>	<b>3.83</b>	<b>3.78</b>
<b>Consolidated</b>	<b>2.96</b>	<b>2.31</b>

<sup>2</sup> Mantoverde production shown on a 100% basis.

<sup>3</sup> Q1 2022 production represents only nine days production for Mantos Blancos and Mantoverde

### Consolidated

Q1 2023 consolidated production of 40.7 thousand tonnes of copper is higher than the 22.5 thousand tonnes in Q1 2022, primarily as a result of the addition of full quarter Mantos Blancos and Mantoverde production.

Q1 2023 C1 cash costs<sup>1</sup> of \$2.96/lb are a mix of sulphide and cathode business units compared to Q1 2022 which was predominately sulphide production. Cash costs are higher than guidance for the quarter due to lower production and inflationary pressure on costs which included some carryover of higher cost sulphuric acid inventory.

Q1 2023 consolidated sulphide C1 cash costs<sup>1</sup> of \$2.61/lb were 13% higher than in Q1 2022 primarily due to inflationary price increases on main consumables.

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

## Consolidated Financial Highlights

(\$ millions, except per share data)	Q1 2023	Q1 2022
<b>Revenue</b>	<b>335.6</b>	268.1
<b>Net (loss) income</b>	<b>(29.0)</b>	35.1
<b>Net (loss) income attributable to shareholders</b>	<b>(20.0)</b>	34.0
<i>Net (loss) income attributable to shareholders per common share - basic and diluted (\$)</i>	<b>(0.03)</b>	0.08
<b>Operating cash flow before changes in working capital</b>	<b>41.7</b>	70.4
<b>Adjusted EBITDA<sup>1</sup></b>	<b>65.3</b>	123.4
<b>Adjusted net income<sup>1</sup></b>	<b>8.5</b>	61.1
<b>Adjusted net income attributable to shareholders<sup>1</sup></b>	<b>12.8</b>	61.4
<i>Adjusted net income attributable to shareholders per common share - basic and diluted</i>	<b>0.02</b>	0.14
<b>Realized copper price<sup>1</sup> (\$/pound)</b>	<b>4.17</b>	4.78
	<b>March 31, 2023</b>	<b>December 31, 2022</b>
<b>Net (debt) / cash<sup>1</sup></b>	<b>(650.9)</b>	(483.1)
<b>Attributable net (debt) / cash<sup>1</sup></b>	<b>(491.7)</b>	(339.9)
<b>Total assets</b>	<b>5,503.7</b>	5,380.9
<b>Total non-current financial liabilities</b>	<b>829.3</b>	709.5

### Mantoverde Development Project

Construction of the MVDP located at the existing Mantoverde (oxide) operation continues to progress well. The MVDP is expected to enable the mine to process 235 million tonnes of copper sulphide reserves over a 20-year expected mine life, in addition to existing oxide reserves. The MVDP involves the addition of a sulphide concentrator (12.3 million tonnes per year) and tailings storage facility, and the expansion of the existing desalination plant.

Upon completion, the Company expects the MVDP to increase production from approximately 36,000 to 40,000 tonnes of copper (cathodes only) in our current guidance for 2023 to approximately 110,000 to 120,000 tonnes of copper (copper concentrate and cathodes) post project completion. In parallel, C1 cash costs<sup>1</sup> are expected to decrease from a range of \$3.50/lb to \$3.70/lb in the current guidance for 2023 to below \$2.00/lb after project completion and ramp up. The decline in expected costs will be driven by the mine's transition to becoming a primary producer of copper concentrate. Upon completion of the MVDP, approximately 75% of Mantoverde's production will come from the lower-cost sulphide copper. The mine will also benefit from the production of approximately 31,000 ounces of gold per year that will generate by-product credits.

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

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

The Mantoverde Development Project is progressing well and remains on track for commissioning and feeding first ore to the mill in late 2023. Areas of focus in Q1 2023 were:

- Third electric rope shovel assembly and commissioning completed;
- Stockpiled nearly 3 million tonnes of sulphide ore grading ~0.6% copper;
- Structural and mechanical assembly completed in the primary crusher, while services facilities are progressing according to plan; and
- Installed critical equipment such as the SAG and ball mill, flotation cells, conveyor belts and other components in the final position and electromechanical assembly is progressing according to the planned schedule.

As of March 31, 2023, the cost of the different components of the project, including the lump-sum turnkey EPC, continue on track and on target. The total project capital remains at \$825 million and inception-to-date project spend, excluding finance costs, totals \$654 million.

The majority of the total project capital cost of \$825 million is fully encompassed by the turn-key contract with Ausenco. The EPC contract total budget is approximately \$525 million of which \$413 million has been spent as of March 31, 2023. In addition, major mining equipment for approximately \$140 million was price fixed prior to the elevated inflationary pressures observed this year.

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

#### Mantoverde - Santo Domingo District Integration Plan

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

#### The district integration synergies include the following:

- Water and Power Infrastructure – a plan to expand the existing Mantoverde desalination plant to 840 litres per second, utilization of existing water pipelines, and upgraded energy transmission capacity to Santo Domingo.
- Port Infrastructure – opportunity to reduce Mantoverde’s concentrate trucking costs by \$10 million per year by using the planned Santo Domingo port, located 65 kilometres from Mantoverde. This will also lower GHG emissions associated with transporting concentrate to customers.
- Integrated Operations – potential to lower district operating costs by \$20-30 million by streamlining the organizational chart across both operations, increasing purchasing power given district scale, and standardizing equipment to promote productivity gains.
- Santo Domingo Oxides – potential addition of 8,000-10,000 tonnes per annum ("tpa") of copper production over the first 10 years of production, by leaching copper oxides at Santo Domingo and processing the concentrated solutions at Mantoverde’s underutilized SX-EW facility.
- Cobalt Opportunity – ability to reduce operating costs by approximately \$45 million per year by building the cobalt and sulphuric acid production facility at Mantoverde that will process cobaltiferous pyrite produced by both Mantoverde and Santo Domingo. The benefits would be realized through the by-product production of sulphuric acid as well as the elimination of related sulphuric acid port and trucking costs.

#### Santo Domingo

Santo Domingo has started the flowsheet optimization process previously announced by awarding Ausenco a Prefeasibility Study ("PFS") subsequently followed by a Feasibility Study ("FS") scope which explores betterments identified through the development of several technical assessments conducted by subject matter experts. Taking into consideration the previous feasibility study, Ausenco will put together a new Technical Report to update the market with the Santo Domingo current business case. The press release associated with the Technical Report is expected in December 2023. Also, project debottlenecking activities have continued to maintain Capstone Copper's "shovel ready" position by advancing permitting and formalizing agreements with third parties.

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

### Mantoverde Optimization and Phase II

The Company is currently analyzing the next expansion of the sulphide concentrator. Capstone has identified that the desalination plant capacity and major components of the comminution and flotation circuits of the Mantoverde Development Project are capable of sustaining average annual throughput of between 40,000 and 45,000 tonnes per day with no major capital equipment upgrades. Capstone continues to work with Ausenco's engineering team to develop the Optimized Mantoverde Development Project (MVDP Optimized), including evaluating the costs and timelines of debottlenecking the minor components of the plant to meet the potential throughput target. The conceptual engineering study is expected to be completed in Q2 and the Feasibility Study is on track for completion late in H2 2023.

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

### Mantoverde - Santo Domingo Cobalt Feasibility Study

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

The cobalt recovery process consists of a concentration step, an oxidation step, and a cobalt recovery step. The concentration step considers a conventional froth flotation circuit treating copper flotation tails to produce a cobaltiferous pyrite concentrate which is expected to contain between 0.5% and 0.7% Co. Two cobalt processes are under evaluation, Roasting and Heap Leaching-Ion Exchange. In both cases, the technology is proven and is expected to deliver low cost cobalt production and GHG savings. The roasting case requires higher capital and would need a longer timeline for permitting and construction, while the heap leaching-ion exchange process is expected to have lower cobalt production but with a quicker timeline to production, and lower risk due to the use of heap leach infrastructure already in place at Mantoverde.

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

For the heap leaching-ion exchange case, the pyrite concentrate from Mantoverde and Santo Domingo would be recovered and added to the oxide heap leach feed agglomerate drums. The pyrite would oxidize in the heap, producing by-product sulfuric acid in situ and solubilizing a significant fraction of the cobalt. A bleed stream containing cobalt in solution will then be directed to a recovery plant consisting of various steps of impurity removal, continuous ion exchange, and hydroxide precipitation to produce a cobalt hydroxide precipitate. It is believed that this approach would require significantly less capital expenditure and could potentially accelerate the production of cobalt from the district. Test work has commenced as planned, including cobaltiferous pyrite roasting and leaching tests for Santo Domingo, column leaching and selective flotation tests using Mantoverde ore, and ion exchange separation tests using Mantoverde raffinates.

### Mantos Blancos Phase II

Mantos Blancos is currently evaluating the potential to increase throughput of the Mantos Blancos sulphide concentrator plant from 7.3 million tonnes per year to 10.0 million tonnes per year using existing underutilized ball mills and process equipment. As part of the Mantos Blancos Phase II Project, we are also evaluating the potential

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

to extend the life of copper cathode production. The Mantos Blancos Phase II Feasibility Study is expected to be released in H2 2023, and the environmental DIA application was submitted in August 2022.

### PV4 Study

The PV4 PFS aims to maximize the conversion of approximately one billion tonnes of mineral resources to mineral reserves, significantly extending Pinto Valley's mine life, and increasing the mine's copper production profile. Given our review of district consolidation potential, the release of the PV4 study will be deferred while we investigate the incorporation of district opportunities including a potential mill expansion and increased leaching capacity supported by optimized water, heap and dump leach, and tailings infrastructure. This could unlock significant ESG opportunities and may transform our approach to surface value for all stakeholders in the Globe-Miami District.

### Cozamin Updated Technical Report

The Company is pleased to announce the results of a new Technical Report for its Cozamin Mine in Zacatecas, Mexico. As at January 1, 2023, Probable Mineral Reserves stood at 10.2 million tonnes grading 1.65% copper, 43 g/t silver, 0.54% zinc and 0.29% lead. Measured and Indicated Mineral Resources were 19.7 million tonnes grading 1.58% copper, 47 g/t silver, 1.08% zinc and 0.41% lead. Inferred Resources were 12.3 million tonnes grading 0.72% copper, 38g/t silver, 1.97% zinc and 0.83% lead.

The updated life of mine plan includes average annual copper production of 20 thousand tonnes of copper and 1.3 million ounces of silver production over eight years at average C1 costs<sup>1</sup> of \$1.51 per payable pound of copper. Over the next five years from 2023 to 2027, average projected annual production is higher at 24 thousand tonnes of copper and 1.7 million ounces of silver, at lower average projected C1 costs<sup>1</sup> of \$1.46 per payable pound of copper.

Based on our experience mining the Mala Noche Footwall Zone ("MNFWZ") orebody at Cozamin to date, management believes the combination of mining methods outlined in the Technical Report will result in optimal mine performance, particularly in ore extraction. Furthermore, as Cozamin builds its skill set in paste backfill and cut and fill mining, there are several possibilities to extend the mine life and improve mining productivity and dilution. Specifically, the Technical Report outlines a number of opportunities to expand the mine that are not included in the life of mine plan and are not reflected in the mineral reserve estimate as of January 1, 2023, including: through exploration on drill targets open to the southeast, northwest, and down-dip (at depth), by converting material classified as Inferred with additional drilling and studies, through the implementation of selective mining techniques to decrease dilution and lower mining costs, and through enhanced pillar recovery, leveraging the benefits of the paste backfill plant.

The company has filed on SEDAR a technical report titled "NI 43-101 Technical Report on the Cozamin Mine, Zacatecas, Mexico" that has an effective date of January 1, 2023.

### Cozamin Updated Life of Mine Plan 2023 to 2030

Life of Mine Plan <sup>2</sup>	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Cu Production (Kt)</b>	23.8	25.4	23.8	25.3	22.3	17.8	15.6	5.3
<b>Ag Production (Koz)</b>	1,411	1,576	1,678	1,829	1,832	1,549	1,353	404
<b>Pb Production (Kt)</b>	0.2	0.4	3.2	2.7	4.5	4.4	7.5	2.2
<b>Zn Production (Kt)</b>	0.8	0.8	3.5	2.9	5.3	5.6	9.0	2.6
<b>Tonnes milled (M tonnes)</b>	1.38	1.38	1.36	1.41	1.47	1.32	1.42	0.48
<b>Cu Grade (%)</b>	1.80	1.92	1.84	1.88	1.60	1.44	1.19	1.19
<b>Cu Recovery (%)</b>	95.62	95.84	95.54	95.57	94.66	93.85	92.45	92.96
<b>Ag Grade (g/t)</b>	38	42	46	48	48	46	39	35
<b>Ag Recovery (%)</b>	83.64	84.68	83.66	84.04	80.82	79.37	76.02	75.07
<b>Pb Grade (%)</b>	0.04	0.05	0.27	0.23	0.35	0.39	0.60	0.51
<b>Pb Recovery (%)</b>	31.26	54.52	87.19	84.40	87.11	84.72	88.44	89.64
<b>Zn Grade (%)</b>	0.34	0.29	0.49	0.43	0.57	0.64	0.91	0.89
<b>Zn Recovery (%)</b>	17.39	20.80	53.33	47.73	63.83	65.78	69.52	61.34
<b>Operating Cost per Tonne (\$/t milled)</b>	58.78	60.73	58.17	57.95	60.58	59.22	59.94	59.84

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

<b>C1 Costs<sup>3</sup> (\$/lb)</b>	1.63	1.56	1.31	1.32	1.49	1.57	1.73	1.86
<b>Sustaining capex (\$M)</b>	27.6	19.7	15.2	20.9	14.8	12.2	3.1	0.0
<b>Expansion capex (\$M)</b>	7.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0

2 Cozamin's Life of Mine Plan has been updated based on the Mineral Reserves as of January 1, 2023. Operating and capital costs assume an exchange rate of MXN\$20 per USD\$1.

3 C1 Costs assume by-product pricing of Ag = \$20.00/oz in 2023, Ag = \$22.00/oz in 2024-2025, and Ag = \$21.00/oz thereafter; Pb = \$0.90/lb and Zn = \$1.10/lb in all periods. C1 Costs are net of by-products and includes the 50% silver stream, which provides 10% of silver price to Capstone for 50% of silver produced, and is an alternative performance measure. Please see the "Alternative Performance Measures" section.

### Mineral Reserve Estimate as of January 1, 2023

<b>Classification</b>	<b>Tonnes</b>	<b>Cu Grade</b>	<b>Ag Grade</b>	<b>Zn Grade</b>	<b>Pb Grade</b>	<b>Cu Metal</b>	<b>Ag Metal</b>	<b>Zn Metal</b>	<b>Pb Metal</b>
	(kt)	(%)	(g/t)	(%)	(%)	(kt)	(koz)	(kt)	(kt)
Proven	-	-	-	-	-	-	-	-	-
Probable	10,210	1.65	43.44	0.54	0.29	168	14,258	55	29
<b>Total</b>	<b>10,210</b>	<b>1.65</b>	<b>43.44</b>	<b>0.54</b>	<b>0.29</b>	<b>168</b>	<b>14,258</b>	<b>55</b>	<b>29</b>

#### Reserve Table Notes:

1. The Mineral Reserve is reported at the point of delivery to the process plant, using the 2014 CIM Definition Standards, and has an effective date of January 1, 2023.
2. The Qualified Person for the estimate is Mr. Clay Craig, P.Eng., a Capstone employee
3. The Mineral Reserve is reported within fully diluted mineable stope shapes generated by the Deswik Mineable Shape Optimiser software. Mining methods include long-hole stoping and cut-and-fill methods.
4. The Mineral Reserve is reported at or above a blended cut-off of \$60.54/t NSR for long-hole stoping and \$65.55/t NSR for cut-and-fill mining
5. The NSR cut-off is based on operational mining and milling costs plus general and administrative costs. The NSR formulae vary by zone. Three separate NSR formulae are used based on zone mineralization and metallurgical recoveries. Copper-silver dominant zones use the NSR formula:  $(Cu \times 66.638 + Ag \times 0.484) \times (1 - NSR \text{Royalty} \%)$ . MNFWZ zinc-silver zones use the NSR formula:  $(Ag \times 0.290 + Zn \times 13.723 + Pb \times 13.131) \times (1 - NSR \text{Royalty} \%)$ . MNV zinc-silver dominant zones use the NSR formula:  $(Ag \times 0.228 + Zn \times 12.121 + Pb \times 11.363) \times (1 - NSR \text{Royalty} \%)$ . Metal price assumptions (in USD) of Cu \$3.55/lb, Ag = \$20.00/oz, Pb = \$0.90/lb, Zn = \$1.15/lb and metal recoveries of 96% Cu, 86% Ag, 0% Pb and 0% Zn in copper-silver dominant zones, 0% Cu, 61% Ag, 93% Pb and 88% Zn in MNFWZ zinc-silver dominant zones, and 0% Cu, 56% Ag, 80% Pb and 77% Zn in MNV zinc-silver dominant zones. The formulae include consideration of confidential current smelter contract terms, transportation costs and 1–3% net smelter return royalty payments. Royalties are dependent on the mining concession, and are treated as costs in the Mineral Reserve estimates.
6. Totals may not sum due to rounding.

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

## Mineral Resource Estimate as of January 1, 2023

Classification	Tonnes (kt)	Cu Grade (%)	Ag Grade (g/t)	Zn Grade (%)	Pb Grade (%)	Cu Metal (kt)	Ag Metal (koz)	Zn Metal (kt)	Pb Metal (kt)
Measured	400	1.25	53.8	1.23	0.40	5	692	5	2
Indicated	19,264	1.59	46.8	1.08	0.41	306	28,970	207	79
<b>Measured + Indicated</b>	<b>19,664</b>	<b>1.58</b>	<b>46.9</b>	<b>1.08</b>	<b>0.41</b>	<b>311</b>	<b>29,662</b>	<b>212</b>	<b>81</b>
Inferred	12,283	0.72	38.3	1.97	0.83	88	15,123	242	102

### Resource Table Notes:

1. The Mineral Resource is reported insitu, using the 2014 CIM Definition Standards, and have an effective date of January 1, 2023.
2. The Qualified Person for the estimate is Mr. Clay Craig, P.Eng., a Capstone employee.
3. The Mineral Resource is reported inclusive of the Mineral Resource converted to Mineral Reserve. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
4. The Mineral Resource was estimated assuming underground mining by longhole stoping and post-pillar cut-and-fill with mineral processing by flotation. Mineral Resource estimates do not account for mining loss and dilution.
5. The Mineral Resource is reported above a net smelter return of US\$59/t. Metal price assumptions in the NSR formulae were \$3.75/lb Cu, US\$22.00/oz Ag, US\$1.35/lb Zn and US\$1.00/lb Pb.
6. Metallurgical recoveries used in the NSR formulae are based on mineralization. Metallurgical recoveries vary by domain and NSR formula. The NSR formula for MNV zinc zones is  $(Ag \times 0.241 + Zn \times 15.511 + Pb \times 12.993) \times (1 - NSR \text{Royalty} \%)$  using metallurgical recoveries of 55% Ag, 80% Zn and 80% Pb. The NSR formula for MNV copper-zinc zones is  $(Cu \times 69.739 + Ag \times 0.498 + Zn \times 12.956) \times (1 - NSR \text{Royalty} \%)$  using metallurgical recoveries of 95% Cu, 85% Ag and 67% Zn. Copper-silver dominant zones use the NSR formula:  $(Cu \times \$70.72 + Ag \text{ g/t} \times \$0.53) \times (1 - NSR \text{Royalty} \%)$ . Copper-silver dominant zones use the following metallurgical recoveries: 96.16% Cu and 85.83% Ag. Copper-zinc zones use the NSR formula:  $(Cu \times \$69.74 + Ag \text{ g/t} \times \$0.50 + Zn \times \$12.96) \times (1 - NSR \text{Royalty} \%)$ . Copper-zinc zones use the following metallurgical recoveries: 94.82% Cu, 83.82% Ag, 66.95% Zn, and 0% Pb. MNFWZ zinc-silver dominant zones use the NSR formula:  $(Ag \text{ g/t} \times \$0.35 + Zn \times \$16.80 + Pb \times \$15.11) \times (1 - NSR \text{Royalty} \%)$ . Zinc-silver dominant zones use the following metallurgical recoveries: 66.50% Ag, 86.79% Zn, and 92.86% Pb. The formulae include consideration of confidential current smelter contract terms, transportation costs and 1-3% net smelter return royalty payments.
7. Totals may not sum due to rounding.

## Corporate Exploration Update

**Cozamin:** Q1 2023 focused on infilling the Mala Noche Main Vein West Target with one underground rig from the west exploration crosscut station. Development of the proposed lower elevation mine cross-cut will allow for additional infill drilling starting in late Q3 2023 to develop an updated mineral resource estimate in 2024.

**Copper Cities, Arizona:** On January 20, 2022, Capstone Mining announced that it had entered into an 18-month access agreement with BHP Copper Inc. ("BHP") to conduct drill and metallurgical test-work at BHP's Copper Cities project ("Copper Cities"), located approximately 10 km east of the Pinto Valley mine. An amendment to the agreement was completed in March 2023 extending the term by another six months. Drilling with two surface rigs twinning historical drill holes was completed in 2022 with metallurgical testing continuing in 2023. As explained in the PV4 Study section, district consolidation opportunities are being evaluated.

**Planalto, Brazil:** Step-out drilling at the Planalto Iron Ore-Copper-Gold prospect in Brazil, under an earn-in agreement with Lara Exploration Ltd. ("Lara"), was completed in Q1 2023. During Q1 Capstone and Lara amended the Planalto Option Agreement extending the timeframe to complete the feasibility study until 2026 and Capstone now plans to complete 10,000 metres of exploration drilling during 2023.

## 2023 Outlook

The Company reiterates the 2023 consolidated production, C1 cash costs<sup>1</sup> and capital guidance (including capitalized stripping) of 170-190kt of copper, \$2.50 to \$2.70 per payable pound and \$620 million, respectively. We expect production to be back-half weighted, with sequential quarter-over-quarter improvements in copper production, notably at Pinto Valley.

MVDP remains on track and on budget for commissioning and feeding first ore to the mill in late 2023.

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

## 3.0 OPERATIONAL REVIEW

### 3.1 Pinto Valley Mine – Miami, Arizona

#### Operating Statistics

	2022					2023
	Q1	Q2	Q3	Q4	Total	Q1
<b>Production (contained)<sup>2</sup></b>						
Copper in Concentrate (tonnes)	13,716	12,778	13,428	14,300	54,222	12,246
Cathode (tonnes)	636	556	719	711	2,622	595
Total Copper (tonnes)	14,352	13,334	14,147	15,011	56,844	12,841
<b>Mining</b>						
Waste (000s tonnes)	5,572	6,082	6,208	4,499	22,361	3,197
Ore (000s tonnes)	6,074	4,986	5,176	5,744	21,980	6,263
Total (000s tonnes)	11,646	11,068	11,384	10,243	44,341	9,460
Strip Ratio (Waste:Ore)	0.92	1.22	1.20	0.78	1.02	0.51
<b>Processing</b>						
Throughput (000s tonnes)	5,257	4,261	4,429	5,080	19,027	4,699
Tonnes per day	58,412	46,821	48,143	55,222	51,088	52,207
Grade (%) <sup>3</sup>	0.32	0.34	0.34	0.32	0.33	0.30
Recoveries (%) <sup>3</sup>	82.3	88.2	89.1	86.9	86.5	86.8
						—
Payable copper produced (tonnes)	13,872	12,887	13,677	14,510	54,946	12,413
Copper C1 cash cost <sup>1</sup> (\$/pound payable copper produced)	2.60	2.82	2.60	2.48	2.63	3.09
Adjusted EBITDA <sup>1</sup> (\$ millions)	71.1	48.1	16.7	32.0	167.9	41.2

<sup>2</sup> Adjustments based on final settlements will be made in future quarters

<sup>3</sup> Grade and recoveries were estimated based on concentrate production and may be impacted by settlements from prior production periods.

#### Q1-2023 versus Q1-2022 Insights

Q1 2023 production was 10% lower than Q1 2022 mainly due to lower mill throughput (52,207 tpd in Q1 2023 versus 58,412 tpd in Q1 2022) driven by heavy rainfall, including flooding, which resulted in plugged chutes and screens; in addition, there was unplanned maintenance on the secondary crusher. The mill feed grade was 6% lower (0.30% in Q1 2023 versus 0.32% in Q1 2022) due to mining sequence, which was partially offset by higher recoveries as a result of lower mill throughput.

Q1 2023 C1 cash costs<sup>1</sup> of \$3.09/lb were \$0.49/lb higher compared to the same period last year of \$2.60/lb primarily due to lower production (\$0.30/lb), increased mining costs due to inflationary pressures on diesel prices, explosives, grinding media and higher spend on rental equipment, mining equipment tools and contractors (\$0.24/lb), higher 2022 bonus payout (\$0.05/lb) and lower capitalized stripping (\$0.05/lb), partially offset by higher by-product credits on higher molybdenum production. The cash costs are expected to trend down as result of higher production but will be at the high end of the cost guidance range for Pinto Valley.

#### Capital Expenditures

Sustaining capital<sup>1</sup> in Q1 2023 of \$9.3 million was spent primarily on investing in infrastructure upgrades that will increase water reclaim, the tailings buttress project and mining equipment component replacements. Expansionary capital<sup>1</sup> in Q1 2023 of \$0.6 million was primarily related to the PV4 studies. Capitalized stripping decreased in Q1 2023 compared to the same period last year as waste removal from the northwest section of phase 3 was minimal due to a delay in the planned mining sequence.

(\$ millions)	Q1 2023	Q1 2022
Capitalized stripping	0.5	2.4
Sustaining capital <sup>1</sup>	9.3	12.4
Expansionary capital <sup>1</sup>	0.6	2.9
Pinto Valley mine additions	10.4	17.7

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

### 3.2 Mantos Blancos – Antofagasta, Chile Operating Statistics

	Q1 <sup>4</sup>	Q2	2022			2023
			Q3	Q4	Total	Q1
<b>Production</b> (contained metal and cathode) <sup>2</sup>						
Copper in Concentrate (tonnes)	704	8,685	9,593	9,975	28,957	10,847
Cathode (tonnes)	330	3,713	4,003	4,228	12,274	3,275
Total Copper (tonnes)	1,034	12,398	13,596	14,203	41,231	14,122
<b>Mining</b>						
Waste (000s tonnes)	—	11,671	10,837	17,112	39,620	12,906
Ore (000s tonnes)	—	8,409	8,559	4,713	21,681	7,443
Total (000s tonnes)	—	20,080	19,396	21,825	61,301	20,349
Strip Ratio (Waste:Ore)	—	1.39	1.27	3.63	1.83	1.73
Stockpile (000s tonnes)	—	801	1,425	1,794	4,020	1,758
Total material moved (000s tonnes)	—	20,881	20,821	23,619	4,020	22,107
<b>Mill operations</b>						
Tonnes per day	—	15,218	14,334	15,246	15,405	16,023
Grade (%) <sup>3</sup>	—	0.90	0.92	0.94	0.92	0.94
Recoveries (%) <sup>3</sup>	—	69.7	79.3	75.1	72.5	80.2
<b>Dump operations</b>						
Throughput (000s tonnes)	—	3,138	2,680	4,128	9,946	2,635
Grade (%) <sup>3</sup>	—	0.18	0.16	0.19	0.18	0.18
<b>Silver</b>						
Production contained (oz)	22	314	263	312	911	365
Payable copper produced (tonnes)	1,011	12,129	13,270	13,864	40,274	13,753
Sulphides C1 cash cost <sup>1</sup> (\$/pound payable copper produced)	—	2.49	2.17	1.82	2.16	2.46
Cathode C1 cash cost <sup>1</sup> (\$/pound payable copper produced)	—	3.67	3.87	2.69	3.41	3.36
Combined C1 cash cost <sup>1</sup> (\$/pound payable copper produced)	3.33	2.85	2.68	2.09	2.54	2.68
Adjusted EBITDA <sup>1</sup> (\$ millions)	8.3	34.1	8.8	27.3	78.5	37.4

<sup>2</sup> Adjustments based on final settlements will be made in future quarters

<sup>3</sup> Grade and recoveries were estimated based on concentrate production and may be impacted by settlements from prior production periods

<sup>4</sup> Represents nine days of production

#### Operational and C1 Cash Costs<sup>1</sup> Update

Q1 2023 production was 14.1 thousand tonnes, comprised of 10.8 thousand tonnes from the sulphide operations and 3.3 thousand tonnes of cathode from the oxide operations. Sulphide concentrate production increased by 9% quarter-over-quarter, driven by higher throughput (16,023 tpd vs. 15,246 tpd in Q4 2022) and higher recoveries (80.2% vs. 75.1% in Q4 2022). Copper grades remained strong at 0.94% (compared to 0.94% in Q4 2022). During Q1 2023, the focus was on preventative maintenance in order to increase reliability and improve online time. The quarter included 18 days operating at 20,000 tpd, and an average throughput rate of 19,000 tpd in February.

Combined Q1 2023 C1 cash costs<sup>1</sup> were \$2.68/lb (\$2.46/lb sulphides and \$3.36/lb cathodes). The cathode costs were significantly impacted by high sulphuric acid prices that averaged \$212/tonne in Q1 2023 including inland transport costs and 11,300 tonnes of high-acid cost inventory (\$240/tonne) as of the end of 2022. Recently, sulphuric acid prices have significantly decreased with contract prices of approximately \$130/tonne for 2023. In addition, for the rest of 2023 we expect a reduction in combined C1 cash costs as the production mix will have a

higher ratio of concentrates to cathodes with the ramp up in sulphide production during the year. Cash costs in Q4 2022 were lower as a result of a stockpile adjustment that was recorded.

### Capital Expenditures

Sustaining capital<sup>1</sup> in Q1 2023 of \$3.4 million was spent primarily on mining equipment component replacements and maintenance of the oxide and concentrate plant. Capitalized stripping in Q1 2023 was \$18.6 million.

(\$ millions)	Q1 2023
Capitalized stripping	18.6
Sustaining capital <sup>1</sup>	3.4
Right of use assets - non cash	1.2
Mantos Blancos mine additions <sup>2</sup>	23.2

<sup>2</sup> There were no material capital expenditures during the nine day stub period in Q1 2022

### 3.3 Mantoverde (70% ownership) – Atacama, Chile Operating Statistics

	Q1 <sup>4</sup>	Q2	2022			2023
			Q3	Q4	Total	Q1
<b>Production (contained)<sup>2, 3</sup></b>						
Cathode (tonnes)	1,208	13,050	11,581	10,462	36,301	8,532
<b>Mining</b>						
Waste (000s tonnes)	—	13,501	15,020	17,113	45,634	19,480
Ore (000s tonnes)	—	5,876	5,816	6,644	18,336	5,534
Total (000s tonnes)	—	19,377	20,836	23,757	63,970	25,014
Strip Ratio (Waste:Ore)	—	2.30	2.58	2.58	2.49	3.52
Rehandled Ore (000s tonnes)	—	3,366	3,041	3,508	9,915	4,926
Total material moved (000s tonnes)	—	22,743	23,877	27,265	73,885	29,940
<b>Heap operations</b>						
Throughput (000s tonnes)	—	2,763	2,475	2,847	8,085	2,754
Grade (%)	—	0.49	0.45	0.40	0.45	0.31
Recoveries (%)	—	75.7	86.7	77.0	77.2	69.0
<b>Dump operations</b>						
Throughput (000s tonnes)	—	2,644	3,788	3,046	9,478	3,895
Grade (%)	—	0.17	0.17	0.15	0.16	0.17
Recoveries (%)	—	41.9	40.1	37.7	39.8	39.9
Payable copper produced (tonnes)	1,208	13,050	11,581	10,462	36,301	8,532
Copper C1 cash cost <sup>1</sup> (\$/pound payable copper produced)	3.63	3.40	3.87	3.65	3.63	4.02
Adjusted EBITDA <sup>1</sup> (\$ millions)	7.2	5.8	(17.7)	(4.6)	(9.3)	(4.0)

<sup>2</sup> Adjustments based on final settlements will be made in future quarters

<sup>3</sup> Production shown on a 100% basis

<sup>4</sup> Represents nine days of production

#### Operational and C1 Cash Costs<sup>1</sup> Update

Q1 2023 production was 8.5 thousand tonnes. Heap operations grade was 0.31% and recoveries were 69.0%. Dump operations grade was 0.17% and recoveries were 39.9%. The heap operations will have a lower grade during 2023 in range of 0.31% to 0.33% as result of mine sequence as we transition towards the sulphide ore for MVDP. As a result of 30% lower grade, the cash costs for 2023 will be higher than 2022 and then subsequently decline in 2024 with the commencement of sulphide production.

Q1 2023 C1 cash costs<sup>1</sup> were \$4.02/lb and were significantly impacted by high energy costs, averaging 25.6 c/kWh due to high coal prices included in the pricing formula of the energy contract, and high sulphuric acid prices, averaging \$177/tonne for the quarter including inland transport costs and 17,600 tonnes of high-cost acid inventory as of the end of 2022. The impact of higher cost sulphuric acid in opening inventory was approximately \$1.3 million. For the rest of 2023, energy costs are expected to gradually decrease and in 2024 the coal price element will be eliminated from the pricing formula. In addition, sulphuric acid prices have significantly decreased with contract prices in the \$140/tonne range for 2023.

#### Capital Expenditures

Sustaining capital<sup>1</sup> in Q1 2023 of \$5.0 million was spent primarily to enable a new leaching area (fourth level), new South Dump II area and mining equipment component replacements. Expansionary capital<sup>1</sup> in Q1 2023 of \$109.2 million related to MVDP.

MVDP remains on track and on budget for commissioning and feeding first ore to the mill in late 2023. Work completed in Q1 2023 included:

- Third electric rope shovel assembly and commissioning completed;
- Pre-stripping was completed with a total 53.2Mt of material;
- Structural and mechanical assembly completed in the primary crusher and services facilities progressing according to plan; and
- Critical equipment such as the SAG and ball mill, flotation cells, conveyor belts, components, and others, are installed in the final position and electromechanical assembly is in progress according to the planned schedule.

(\$ millions)	Q1 2023
Capitalized stripping	27.7
Sustaining capital <sup>1</sup>	5.0
Expansionary capital <sup>1</sup>	109.2
Capitalized interest and other on construction in progress	13.0
Right of use assets - non cash	7.2
Mantoverde mine additions <sup>2</sup>	162.1

<sup>2</sup> There were no material capital expenditures during the nine day stub period in Q1 2022

### 3.4 Cozamin Mine – Zacatecas, Mexico Operating Statistics

	2022					2023
	Q1	Q2	Q3	Q4	Total	Q1
<b>Production</b> (contained) <sup>2</sup>						
Copper (tonnes)	5,921	6,397	6,357	5,776	24,451	5,239
Silver (000s ounces)	271	439	353	313	1,376	282
Zinc (000s pounds)	798	271	525	103	1,697	68
<b>Mining</b>						
Ore (000s tonnes)	342	346	350	316	1,354	306
<b>Processing</b>						
Milled (000s tonnes)	333	352	352	316	1,353	307
Tonnes per day	3,704	3,874	3,829	3,430	3,803	3,410
<b>Copper</b>						
Grade (%) <sup>3</sup>	1.84	1.88	1.86	1.89	1.87	1.77
Recoveries (%)	96.6	96.7	96.8	96.8	96.7	96.6
<b>Silver</b>						
Grade (%) <sup>3</sup>	41.9	36.4	37.9	37.4	38.4	35.1
Recoveries (%)	82.6	82.0	82.1	82.3	82.3	81.3
<b>Zinc</b>						
Grade (%) <sup>3</sup>	0.43	0.33	0.36	0.32	0.36	0.26
Recoveries (%)	25.4	10.7	18.9	4.6	15.8	6.6
Payable copper produced (tonnes)	5,690	6,144	6,108	5,544	23,486	5,033
Copper C1 cash cost <sup>1</sup> (\$/pound payable copper produced)	1.12	1.25	1.20	1.40	1.24	1.72
Adjusted EBITDA <sup>1</sup> (\$ millions)	44.7	36.7	23.9	32.6	137.9	30.9

<sup>2</sup> Adjustments based on final settlements will be made in the future quarters.

<sup>3</sup> Grade and recoveries were estimated based on concentrate production and may be impacted by settlements from prior production periods.

#### Q1-2023 versus Q1-2022 Insights

Q1 2023 production was lower than Q1 2022 due to lower throughput as a result of change in mining method (cut-and-fill) (3,410 tpd in Q1 2023 versus 3,704 tpd in Q1 2022) and lower grades (1.77% in Q1 2023 versus 1.84% in Q1 2022). Recoveries were consistent quarter over quarter.

Q1 2023 C1 cash costs<sup>1</sup> were 54% higher than the same period last year primarily due to the change in mining method which resulted in an increase in employee headcount, higher power rates, planned higher spend on contractors and mechanical parts to increase equipment availability and reliability (\$0.20/lb). In addition, cash costs were impacted by lower production (\$0.17/lb) and lower zinc by-product credits due to planned lower zinc production, as well as lower silver prices (\$0.15/lb).

#### Capital Expenditures

Sustaining capital<sup>1</sup> and expansionary capital<sup>1</sup> spending at Cozamin totaled \$9.2 million for Q1 2023. Sustaining capital<sup>1</sup> was related to mine development and mine equipment. Capital spending included \$2.4 million of expansionary capital<sup>1</sup> on the filtered (dry stack) tailings and paste backfill facility project. The dry stack plant was commissioned and the underground paste fill plant commissioning started in April 2023.

Capitalized exploration expenditures totaled \$0.3 million for Q1 2023. This was primarily spent on infill drilling at the Mala Noche Main Vein West Target with one underground rig from the west exploration cross-cut station.

(\$ millions)	Q1 2023	Q1 2022
Sustaining capital <sup>1</sup>	6.8	8.4
Expansionary capital <sup>1</sup>	2.4	9.8
Brownfield exploration	0.3	0.9
Right of use assets-non cash	0.2	0.3
Cozamin mine additions	9.7	19.4

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

### 3.5 Santo Domingo Project – Chile (Copper and Iron)

#### Capital Expenditures

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

(\$ millions)	Q1 2023	Q1 2022
Capitalized project costs	3.9	9.5

### 3.6 Exploration

(\$millions)	Q1 2023	Q1 2022
Greenfield exploration (expensed to income statement)	1.2	1.9
Brownfield exploration (capitalized to mineral properties) - Cozamin	0.3	0.9
<b>Total exploration</b>	<b>1.5</b>	<b>2.8</b>

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

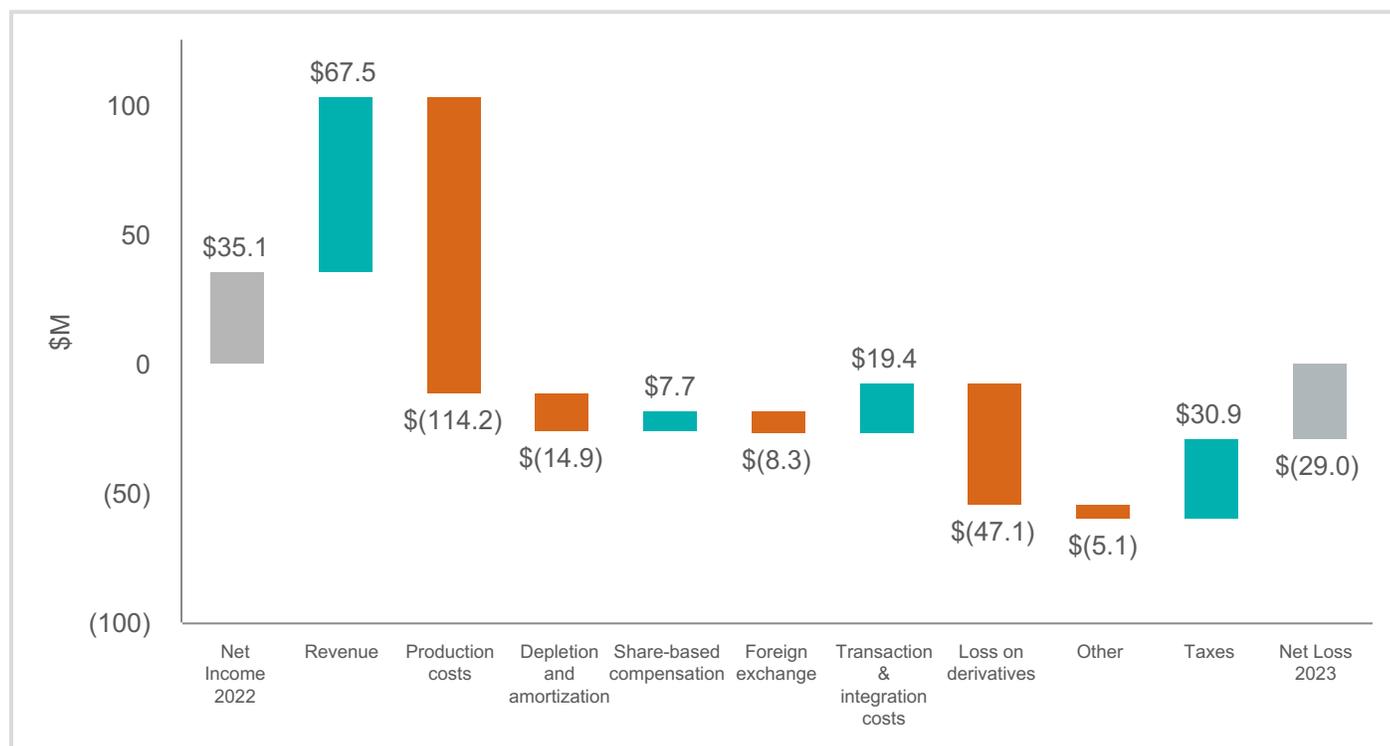
## 4.0 FINANCIAL REVIEW

### 4.1 Consolidated Results

#### Consolidated Net (Loss) Income Analysis

##### Net (Loss) Income for the Three Months Ended March 31, 2023 and 2022

The Company recorded a net loss of \$29.0 million for the three months ended March 31, 2023 compared with net income of \$35.1 million in Q1 2022. The major differences are outlined below:



The difference year-over-year was driven by:

- Revenue: \$67.5 million or 25% of the increase was driven by higher copper volumes sold due to a full quarter of sales versus nine days from Mantos Blancos and Mantoverde (Q1 2023 – 37.5 thousand tonnes, Q1 2022 – 25.5 thousand tonnes), and partially offset by a lag in cathode shipping ocean vessels which totaled 2.4 thousand tonnes of copper and lower realized copper prices<sup>1</sup> (Q1 2023 - \$4.17 per pound, Q1 2022 - \$4.78 per pound). Gross copper revenue increased by \$76.0 million (\$125.9 million increase on higher volume sold and reduced by \$49.9 million on lower price). Additional tonnes from the sales lag would have resulted in additional gross revenue of approximately \$21.9 million.
- Production costs: \$114.2 million increase primarily driven by inclusion of Mantos Blancos and Mantoverde:
  - Pinto Valley recorded \$1.2 million higher production costs in Q1 2023 compared to Q1 2022 as a result of higher costs driven by inflationary impacts.
  - Cozamin recorded \$2.5 million higher production costs in Q1 2023 compared to Q1 2022 as a result of changing in mining method to include cut and fill mining.
  - Mantos Blancos recorded \$66.8 million higher production costs in Q1 2023 compared to Q1 2022 as a result of a full quarter of results versus nine days.
  - Mantoverde recorded \$42.9 million higher production costs in Q1 2023 compared to Q1 2022 as a result of a full quarter of results versus nine days.
- Depletion and amortization: \$14.9 million increase primarily due to a full quarter of results versus nine days in Q1 2022 from Mantos Blancos and Mantoverde (increase of \$13.4 million).
- Share-based compensation: \$7.7 million decrease primarily due to the fact the change in share price was less than than Q1 2022 (C\$7.07 opening price to C\$6.10 closing price as at March 31, 2023 versus C\$4.14 opening price to C\$7.07 closing price as at March 31, 2022).

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

- Foreign exchange: \$8.3 million change primarily due to foreign exchange losses mainly resulting from the revaluation of Chilean denominated accounts payable and employee benefit obligations as a result of the strengthening Chilean Peso.
- Transaction & Integration costs: \$19.4 million decrease primarily due to the Mantos transactions costs that were incurred in Q1 2022.
- Loss on derivatives: \$47.1 million increase primarily due to the \$20.2 million net loss on MVDP's financing derivative portfolio (copper commodity, interest rates, and foreign currency swaps), and a net loss of \$24.6 million on the operating derivatives (copper commodity and foreign exchange). Copper forward curve prices increased from \$3.80/lb as at December 31, 2022 to \$4.08/lb as at March 31, 2023, resulting in an unrealized loss on copper hedges of \$30.2 million.
- Income taxes: \$30.9 million decrease due to a net loss compared to a net gain in Q1 2022.

## 4.2 Revenue Analysis

Revenue increased quarter-on-quarter (\$335.6 million versus \$268.1 million in Q1 2022) due to additional 12.0 thousand tonnes higher copper volumes sold (37.5 thousand tonnes versus 25.5 thousand tonnes in Q1 2022) as a result of a full quarter of sales from Mantos Blancos and Mantoverde mines versus nine days in Q1 2022, and partially offset by a lower realized copper price<sup>1</sup> (\$4.17 per pound versus \$4.78 per pound in Q1 2022).

### Revenue by Mine

(\$ millions)	Q1 2023 <sup>2</sup>		Q1 2022 <sup>2</sup>	
Pinto Valley	124.0	36.9 %	157.8	58.9 %
Mantos Blancos	116.2	34.6 %	17.3	6.4 %
Mantoverde	61.0	18.2 %	27.8	10.4 %
Cozamin	50.6	15.1 %	65.2	24.3 %
Corporate <sup>3</sup>	(16.2)	(4.8)%	—	—
<b>Total revenue</b>	<b>335.6</b>	<b>100.0 %</b>	268.1	100.0 %

<sup>2</sup> The current and subsequent periods may include final settlement quantity and/or price adjustments from prior shipments.

<sup>3</sup> The Corporate revenue is related to the net changes on quotational period hedges.

### Provisionally Priced Copper

Gross revenue for the three months ended March 31, 2023 includes 46.5 thousand tonnes of copper sold subject to final settlement. Of this, the prices for 19.2 thousand tonnes are final at a weighted average price of \$4.06 per pound. The remaining 27.3 thousand tonnes are subject to price change upon final settlement at the end of the applicable quotational period, as follows:

Quotational Period						(\$/pound)	
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Total	Provisional Price	
Apr-2023	2.7	4.3	0.4	1.7	9.1	4.08	
May-2023	—	3.2	—	—	3.2	4.08	
Jun-2023	4.6	2.7	—	1.4	8.7	4.08	
Jul-2023	2.4	—	—	1.8	4.2	4.08	
Aug-2023	2.1	—	—	—	2.1	4.08	
<b>Total</b>	<b>11.8</b>	<b>10.2</b>	<b>0.4</b>	<b>4.9</b>	<b>27.3</b>	<b>4.08</b>	

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

## Reconciliation of Realized Copper Price<sup>1</sup>

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

(\$ millions, except as noted)	Q1 2023	Q1 2022
<b>Gross copper revenue</b>		
Gross copper revenue on new shipments	331.5	259.3
<b>Gross copper revenue</b>	<b>331.5</b>	<b>259.3</b>
Realized loss on QP hedges	(24.1)	—
Gross copper revenue on prior shipments	33.3	3.6
Realized pricing and volume adjustments on copper revenue	9.2	3.6
Unrealized pricing and volume adjustments on copper revenue	4.0	5.8
<b>Gross copper revenue including pricing and volume adjustments</b>	<b>344.7</b>	<b>268.7</b>
Gross copper revenue on new shipments (\$/pound)	4.01	4.61
Realized pricing and volume adjustments on copper revenue (\$/pound)	0.11	0.07
Unrealized pricing and volume adjustments on copper revenue (\$/pound)	0.05	0.10
<b>Realized copper price<sup>1</sup> (\$/pound)</b>	<b>4.17</b>	<b>4.78</b>
<b>LME average copper price (\$)</b>	<b>4.05</b>	<b>4.53</b>
<b>LME close price (\$)</b>	<b>4.05</b>	<b>4.69</b>
<b>Gross copper revenue - reconciliation to financials</b>		
Gross copper revenue including pricing and volume adjustments	344.7	268.7
Revenue from other metals	11.6	13.0
Treatment and selling	(20.7)	(13.6)
<b>Revenue per financials</b>	<b>335.6</b>	<b>268.1</b>
<b>Payable copper sold (tonnes)</b>	<b>37,457</b>	<b>25,508</b>

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

### 4.3 Consolidated Cash Flow Analysis

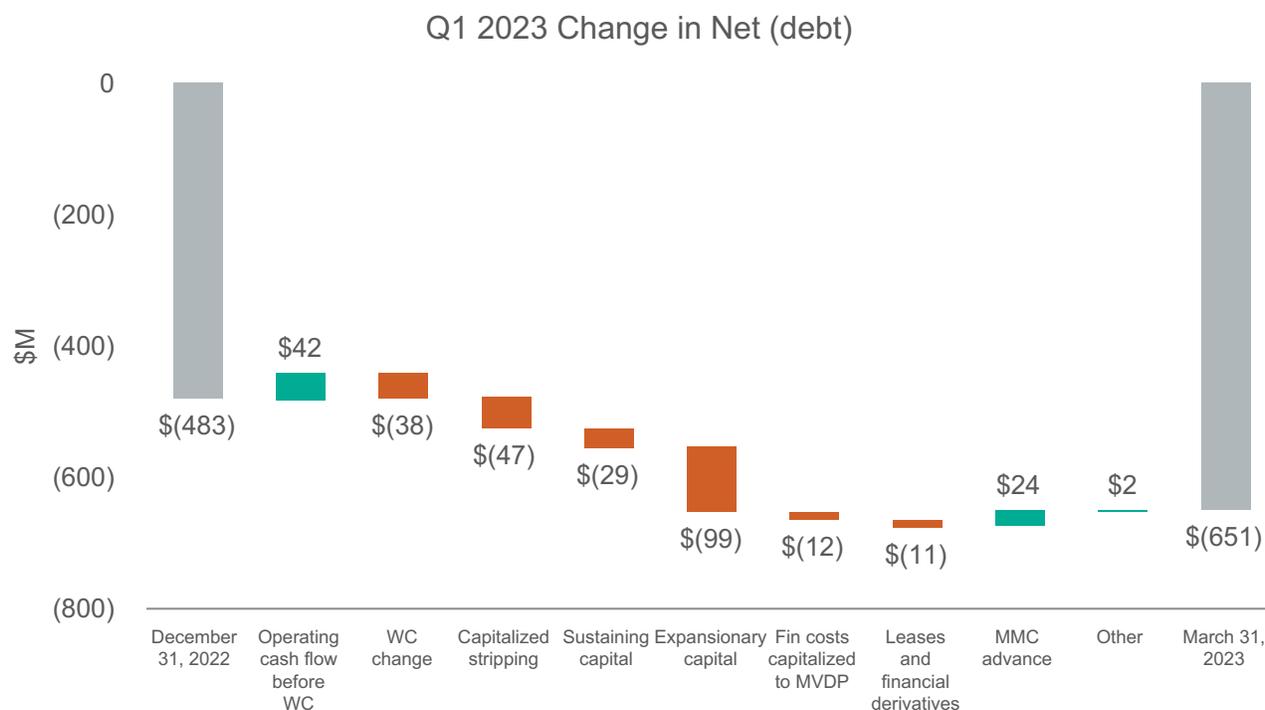
(\$ millions)	Q1 2023	Q1 2022
Operating cash flow before changes in working capital	41.7	70.4
Changes in non-cash working capital	(38.8)	(84.8)
Other non-cash changes	0.9	6.6
<b>Total cash flow from (used in) operating activities</b>	<b>3.8</b>	<b>(7.8)</b>
Total cash flow (used in) from investing activities	(184.8)	164.8
Total cash flow from (used in) financing activities	110.2	(8.8)
Effect of foreign exchange rates on cash and cash equivalents	—	0.6
<b>Net change in cash and cash equivalents</b>	<b>(70.8)</b>	<b>148.8</b>
Opening cash and cash equivalents	170.3	262.1
<b>Closing cash and cash equivalents</b>	<b>99.5</b>	<b>410.9</b>

#### Changes in Cash Flows for the Three Months Ended March 31, 2023 and 2022

The net change in cash was \$(70.8) million in Q1 2023 compared to \$148.8 million in Q1 2022. The change was primarily due to:

- Operating cash flow before changes in working capital was lower by \$28.7 million. Revenue less production costs were lower in Q1 2023 versus Q1 2022 by \$45.8 million (Q1 2023 revenue of \$335.6 million less production costs of \$240.4 million compared to Q1 2022 revenue of \$268.1 million less production costs of \$127.1 million) due to lower copper prices and inflationary pressure on production costs, which was offset by lower income taxes paid.
- Changes in non-cash working capital was lower by \$46.0 million primarily due to an increase in accounts payable and accrued liabilities, a decrease in accounts receivables and prepaids, partially offset by an increase in inventories. Q1 2023 change in working capital was impacted by one-off payment for share compensation of \$28.5 million.
- Cash flows used in investing activities were \$349.6 million higher in Q1 2023 mainly due to addition of Mantos Blancos and Mantoverde mines including MVDP spend of \$104.0 million including \$12.0 million of capitalized financing fees. Also, Q1 2022 cash from investing activities includes \$219.2 million of cash and cash equivalents assumed on the Transaction.
- Cash flows from financing activities were \$119.0 million higher in Q1 2023 primarily due to \$6.6 million of net repayments on the Glencore credit facility in Q1 2022 compared to Q1 2023 net proceeds of \$97.0 million from the Revolving Credit Facility ("RCF") and \$24.0 million related party shareholder loan from MMC, partially offset by higher incremental lease payments as a result of the business combination with Mantos.

## 4.4 Liquidity and Financial Position



The increase in Net (debt)<sup>1</sup> as at March 31, 2023, is primarily attributable to the capital spend on the MVDP and other capital projects.

### Credit Facilities

#### Mantoverde Development Project Facility

Mantoverde secured \$572 million in debt financing facility to fund the construction of the MVDP. The debt facility comprises a senior secured amortizing project debt facility in an aggregate amount of \$520 million (the “Covered Facility” \$250 million, the “Uncovered Facility” \$210 million, and the “ECA Direct Facility” \$60 million) and a \$52 million senior secured mine closure bonding facility (the “Bonding Facility”). These project finance facilities are subject to affirmative, financial and restrictive covenants that include obligations to maintain the security interests in favour of the lenders over substantially all of the respective project’s property and shares, insurance coverage, maintenance of off-take agreements, compliance with environmental and social matters, restrictions on new financial indebtedness, distributions and dispositions, and compliance with certain financial ratios. As at March 31, 2023, the Company was in compliance with these covenants.

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

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

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled “Alternative Performance Measures”.

transition will result in materially similar terms and for the process to be completed by June 30, 2023. In the event the transition is not complete by June 30, LIBOR fallback provisions would become effective until alternative rates have been agreed on.

#### *Mantoverde Cost Overrun Facility ("COF")*

MMC agreed to provide a \$60 million COF in exchange for additional off-take of copper concentrate production under a 10-year contract. The COF carries an interest rate of 3-month US\$ LIBOR plus 1.70% and amortizing over 37 quarters from the earlier of September 30, 2024 or three quarters after project completion. 3-month LIBOR at March 31, 2023 was 5.16%. As at March 31, 2023, the amount drawn on the COF was fully drawn. Mantoverde SA is required to draw on the COF to fund any increases in capital over the original estimate of \$785 million regardless of operating cash flow balance. The total costs for MVDP were increased to \$825 million during Q2 2022, thus resulting in draws on the COF in the remainder of 2022. As a result of Interest Rate Benchmark Reform, the Company is working with MMC on transitioning from LIBOR to an adjusted term SOFR. We expect that the transition will result in materially similar terms and for the process to be completed by June 30, 2023. In the event the transition is not complete by June 30, LIBOR fallback provisions would become effective until alternative rates have been agreed on.

#### *Revolving Credit Facility*

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

The interest rate at March 31, 2023 was one-month adjusted term SOFR of 4.91% plus 1.875% (2022 - US LIBOR plus 2.50%) with a standby fee of 0.42% (2022 - 0.56%) payable on the undrawn balance (adjustable in certain circumstances).

The RCF in effect as of March 31, 2023 is secured against the present and future real and personal property, assets and undertakings of Capstone Copper (other than defined excluded entities, Acquisition Co., Far West Mining Ltd., Minera Santo Domingo SCM, Capstone Resources MSD Ltd., FWM Exploration (Chile) Ltd., and Far West Exploration S.A., Mantoverde Holding SpA, Mantoverde S.A., Mantos Copper Delaware LLC and subject to certain exclusions for Capstone Mining Chile SpA).

The credit facility requires Capstone to maintain certain financial ratios relating to debt and interest coverage. Capstone was in compliance with these covenants as at March 31, 2023. As at March 31, 2023, the balance of the RCF was \$172.0 million (December 31, 2022 - \$75.0 million), excluding deferred financing fees of \$3.2 million (December 31, 2022 - \$3.4 million).

#### *Mantos Blancos Concentrator Development Project Debt Facility*

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

As at March 31, 2023, Capstone Copper was in a net (debt)<sup>1</sup> position of \$650.9 million with \$692.0 million long-term debt drawn in total, plus \$60.0 million drawn on the COF with MMC which is noted in Due to Related Party. As at March 31, 2023, the \$692.0 million of long term debt consists of \$520 million drawn on the MVDP facility and \$172.0 million was drawn on the RCF.

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

## Hedging

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

- The Company entered into zero costs collars ("ZCCs") whereby it sold a series of call option contracts and purchased a series of put option contracts for nil cash premium. The contracts were for a total of 20,625 tonnes of copper covering the period from April 2023 through December 2023, and have a floor and weighted average ceiling price of \$3.20/lb and \$4.15/lb, respectively. The Company also entered into fixed-for-floating swaps for a total of 28,031 tonnes of copper covering the period from April 2023 to December 2023, and have a weighted average forward price of \$3.64/lb. The intent is to ensure balance sheet protection and sufficient liquidity to complete MVDP in 2023. There was a realized loss of \$8.5 million for three months ended March 31, 2023.
- Financial hedges were executed on foreign exchange rates to protect approximately 50% of the Company's attributable Chilean Peso exposure on operating costs at Mantoverde and Mantos Blancos from April 2023 through to December 2023 all through Chilean Peso to US dollar exchange rate zero cost collars (being purchased puts and sold calls with offsetting values at inception). There was no realized gain or loss on the Chilean Peso zero cost collars for the three months ended March 31, 2023.
- Financial hedges were executed on foreign exchange rates to protect the Company's CAD dollar exposure. The Company entered into US dollar to CAD dollar exchange rate forward contracts covering through to February 2023. The Company also entered into ZCCs through to December 2023 whereby it sold a series of call option contracts and purchased a series of put option contracts for nil cash premium. There was a total realized gain of \$0.1 million on the CAD financial hedges for the three months ended March 31, 2023.
- As a condition of the project financing for the MVDP, Mantoverde was required to effect certain hedging strategies as follows:
  - Fixed-for-floating copper swaps covering 65% of copper cathode production at an average price per tonne at inception of \$7,698 (~\$3.49/lb) through to June 30, 2024;
  - Fixed-for-floating LIBOR swaps at 1.015% for 10-years, with a 0% floor on the LIBOR rate within the first five years (expiring in September 2025);
  - CLP:US\$ foreign exchange rate forwards at an average price of 727.7 and notional amount of approximately \$104 million that mature in March 2024 to hedge 100% of the forecasted EPC contract costs denominated in CLP; and
  - CLF:US\$ foreign exchange rate forwards at an average price of 41.7 and notional amount of approximately \$321 million that mature in May 2024 to hedge 100% of the forecasted EPC contract costs denominated in CLF.
- The realized loss on Mantoverde's derivative portfolio was \$1.8 million for the three months ended March 31, 2023.
- Pinto Valley contracted for fixed diesel prices with a supplier on its expected 2023 diesel consumption at \$3.36/gallon for Q1 2023 and at \$3.29/gallon for the remaining three quarters. The contracted diesel prices have resulted in cost savings of \$0.8 million during the three months ended March 31, 2023.

## Financial Capability

The Company's ability to service its ongoing obligations and cover anticipated corporate, exploration and development costs associated with its existing operations is dependent on the Pinto Valley, Mantos Blancos, Mantoverde, and Cozamin mines generating positive cash flow and available liquidity<sup>1</sup>. Based on reasonable expectations for our operating performance, and additional liquidity options available such as capital market access, the recently amended and extended Corporate RCF of \$600 million, \$428 million of which is undrawn, and the hedging programs described above, provides both protection from further weakening of copper prices in 2023 and significant available liquidity as the Company completes the Mantoverde Development Project.

Our available liquidity<sup>1</sup> as at March 31, 2023 was \$529.1 million, which included \$101.1 million of cash and cash equivalents and short-term investments, and \$428 million of undrawn amounts on our \$600 million RCF.

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

## Capital Management

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

## 4.5 Commitments

### *Royalty Agreements*

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

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

### *Agreement with Osisko Bermuda Limited ("Osisko")*

Pursuant to a long-term streaming agreement made in 2015, that covers the life of mine, the Company delivers 100% of the payable silver sold by Mantos Blancos to Osisko Bermuda Limited ("Osisko"). Osisko pays a cash price of 8% of the spot price at the time of each delivery, in addition to an upfront acquisition price previously paid. After 19.3 million ounces of silver have been delivered under the agreement, the stream will be reduced to one-third. Mantos Blancos has delivered 4.9 million silver ounces since contract inception until March 31, 2023.

### *Agreement with Jetti Resources, LLC ("Jetti")*

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

### *Off-take agreements*

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

The Company has sales commitments equal to 100% of its copper cathode production at Mantoverde and Mantos Blancos under off-take agreements with Anglo American Marketing Limited ("AAML") up to the end of December 2025.

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

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

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

MMC agreed to provide a \$60 million COF in exchange for additional off-take of copper concentrate production under a 10-year contract. The off-take agreement includes Mantoverde agreeing to sell 30% of its annual copper production per year delivered for its equivalent in copper concentrates, plus an additional amount per annum of up to 30,000 tonnes of copper concentrate depending on the amount that is drawn by Mantoverde under the COF

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

provided by MMC in connection with the MVDP. The agreement between MMC and Mantoverde to sell 30% of its annual copper production is for the duration of Mantoverde's commercial mine life. The amount payable for copper is based on average LME prices, subject to certain terms.

#### *Construction and other operating contracts*

The Company entered into the EPC with Ausenco Chile Limitada for an estimated aggregate cost of \$525 million. As at March 31, 2023, capital expenditures committed, but not yet incurred, were \$132.9 million.

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

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

#### *Minto surety bond indemnification*

On June 3, 2019, the Company completed the sale of its 100% interest in the Minto mine ("Minto") to Pembridge Resources PLC ("Pembridge"). In conjunction with completion of the sale, Pembridge has posted a surety bond to cover potential future reclamation liabilities. The Company remains an Indemnitor for Minto's C\$72 million surety bond obligation in the Yukon and could be liable for the bonded obligations in the event Minto does not satisfy those obligations. Pembridge has put C\$10 million into a control account which is to be applied against the reclamation if the surety bond is called. The Company continues to monitor Minto's financial situation, any uncertainty in Minto's ability to meet the obligation may trigger an event that may create a possible obligation in the future related to the financial exposure on the surety bond indemnification. No amount has been recognized as a liability as at March 31, 2023, as there is no present obligation that is probable.

#### *Other*

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

### **Provisions**

Provisions of \$265.6 million at March 31, 2023 includes the following:

- \$221.4 million for reclamation and closure cost obligations at Capstone Copper's operating mines;
- \$32.7 million related to other long-term obligations at the Cozamin and Chilean mines; and
- \$11.5 million for the long-term portion of the share-based payment obligations associated with the Share Unit Plan. The current portion of the share-based payment obligations of \$2.0 million is recorded in other liabilities.

### **Precious Metal Streams**

#### **Cozamin Silver Stream**

On February 19, 2021, Capstone Mining entered into a precious metals purchase arrangement with Wheaton whereby the Company received upfront cash consideration of \$150 million against delivery of 50% of the silver production from the Company's Cozamin mine until 10 million ounces have been delivered, thereafter dropping to 33% of silver production for the remaining life of the mine. Cozamin has delivered 1.46 million silver ounces since contract inception until March 31, 2023.

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

The Company recorded the upfront cash consideration received as deferred revenue and recognizes amounts in revenue as silver is delivered under the arrangement. For the period ended March 31, 2023, the amount of the deferred revenue liability recognized as revenue was \$2.4 million.

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

### **Santo Domingo Gold Stream**

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

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

The Company recorded the upfront early deposit of \$30 million received as deferred revenue and will recognize amounts in revenue as gold is delivered under the arrangement. For the period ended March 31, 2023, there was no amortization of the deferred revenue liability recognized as revenue.

### **Purchase of Non-Controlling Interest from KORES**

At March 31, 2023, a liability of \$40.9 million has been recognized in other non-current liabilities equal to the discounted amount of the remaining \$45.0 million to be paid to KORES as part of the agreement to purchase its 30% share of Acquisition Co. The discounted amount of the remaining \$45.0 million will be accreted up to its face value at 5% per year. During the three months ended March 31, 2023, \$0.5 million of accretion was recorded in other non-cash interest expense in the condensed interim consolidated statements of (loss) income.

### **Off Balance Sheet Arrangements**

As at March 31, 2023, the Company had no off-balance-sheet arrangements other than the following:

- those disclosed under Commitments in the condensed interim consolidated financial statements for the three months ended March 31, 2023;
- capital expenditure commitments totaling \$132.9 million;
- seven surety bonds totaling \$236.1 million.

## **4.6 Transactions with Related Parties**

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

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

- On February 15, 2023, MMC advanced an additional \$24.0 million to Mantoverde in the form of a shareholder loan forming part of the financing for the MVDP.
- Total funds advanced by MMC as at March 31, 2023 was \$84.0 million (December 31, 2022 - \$60.0 million).
- Orion were Mantos' largest shareholder and on completion of the Transaction held approximately 32% shareholder interest in Capstone Copper. On March 31, 2023, Capstone and Orion closed a secondary bought offering of common shares of Capstone, whereby Orion sold an aggregate of 57,500,000 common shares of Capstone at a price of \$5.60 per common share, for aggregate gross proceeds to Orion of C\$327.8 million. Subsequent to completion of the offering, Orion held 23.75% interest in Capstone Copper.

## 4.7 Accounting Changes

*Issued and effective January 1, 2023*

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

*Issued but not yet effective*

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

### **Changes in Accounting Policies and Critical Accounting Estimates and Judgments**

Significant accounting policies as well as any changes in accounting policies are discussed in Note 2 "Significant Accounting Policies, Estimates and Judgements" of the March 31, 2023 condensed interim consolidated financial statements.

## 5.0 ALTERNATIVE PERFORMANCE MEASURES

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

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

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

**Breakdown of C1 Cash Costs and All-in Sustaining Cost Per Pound of Payable Copper Produced**  
**Three Months Ended March 31, 2023**

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

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

	Q1 2023				Total
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	
Payable copper produced (000s pounds)	27,365	30,321	18,810	11,096	87,592
<b>(\$ millions)</b>					
Production costs of metal produced (per financials)	82.3	75.7	63.6	18.8	240.4
Transportation cost to point of sale	(6.5)	—	—	(1.2)	(7.7)
Inventory write-down	(0.1)	(0.4)	(0.5)	—	(1.0)
Inventory working capital adjustments	(0.1)	(0.9)	11.6	0.6	11.2
<b>Cash production costs of metal produced</b>	<b>75.6</b>	<b>74.4</b>	<b>74.7</b>	<b>18.2</b>	<b>242.9</b>
<b>(\$/pound)</b>					
Production costs					
Mining	1.03	0.79	0.74	1.04	0.88
Milling/Processing	1.37	1.48	2.93	0.34	1.61
G&A	0.36	0.19	0.30	0.27	0.28
C1P sub-total	2.76	2.46	3.97	1.65	2.77
By-product credits	(0.19)	(0.02)	—	(0.29)	(0.10)
Treatment and selling costs	0.52	0.24	0.05	0.36	0.29
<b>C1 cash cost (\$/pound produced)</b>	<b>3.09</b>	<b>2.68</b>	<b>4.02</b>	<b>1.72</b>	<b>2.96</b>
<b>(\$/pound)</b>					
Royalties	0.01	0.06	—	0.08	0.03
Production-phase capitalized stripping / Mineralized drift	—	0.60	0.13	0.02	0.24
Sustaining capital	0.35	0.10	0.27	0.56	0.28
Sustaining leases	0.02	0.10	0.07	0.01	0.06
Accretion of reclamation obligation	0.02	0.03	0.03	0.04	0.03
Amortization of reclamation asset	—	0.01	0.01	0.03	0.01
Corporate G&A, excluding depreciation					0.06
All-in sustaining cost adjustments	0.40	0.90	0.51	0.74	0.71
<b>All-in sustaining cost (\$/pound produced)</b>	<b>3.49</b>	<b>3.58</b>	<b>4.53</b>	<b>2.46</b>	<b>3.67</b>

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

Three Months Ended March 31, 2022

	Q1 2022				Total
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	
Payable copper produced (000s pounds)	30,582	2,228	2,664	12,545	48,019
<b>(\$ millions)</b>					
Production costs of metal produced (per financials)	81.1	8.9	20.7	16.3	127.0
Transportation cost to point of sale	(7.2)	—	—	(1.0)	(8.2)
Inventory write-down	(0.1)	—	—	—	(0.1)
Inventory working capital adjustments	(7.9)	(1.7)	(11.1)	—	(20.7)
Cash production costs of metal produced	65.9	7.2	9.6	15.3	98.0
<b>(\$/pound)</b>					
Production costs					
Mining	0.67	1.10	0.89	0.73	0.72
Milling/Processing	1.18	1.86	2.50	0.28	1.05
G&A	0.30	0.27	0.20	0.20	0.27
C1P sub-total	2.15	3.23	3.59	1.21	2.04
By-product credits	(0.10)	(0.02)	—	(0.39)	(0.17)
Treatment and selling costs	0.55	0.12	0.04	0.30	0.44
<b>C1 cash cost (\$/pound produced)</b>	<b>2.60</b>	<b>3.33</b>	<b>3.63</b>	<b>1.12</b>	<b>2.31</b>
<b>(\$/pound)</b>					
Royalties	0.03	—	—	0.09	0.04
Production-phase capitalized stripping / Mineralized drift	—	—	—	0.04	0.01
Sustaining capital	0.41	0.26	0.20	0.63	0.45
Sustaining leases	0.02	—	—	—	0.01
Accretion of reclamation obligation	—	0.04	0.10	0.02	0.01
Amortization of reclamation asset	0.01	0.01	0.01	0.01	0.01
Corporate G&A, excluding depreciation					0.12
All-in sustaining cost adjustments	0.47	0.31	0.31	0.79	0.65
<b>All-in sustaining cost (\$/pound produced)</b>	<b>3.07</b>	<b>3.64</b>	<b>3.94</b>	<b>1.91</b>	<b>2.96</b>

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

### Reconciliation of Net (debt) / Net cash

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

(\$ millions)	March 31, 2023	December 31, 2022
Long term debt (per financials), excluding deferred financing costs of 3.2 and 3.4 and PPA fair value adjustments of 7.3 and 7.5	(692.0)	(595.0)
COF	(60.0)	(60.0)
<i>Add:</i>		
Cash and cash equivalents (per financials)	99.5	170.3
Short term investments (per financials)	1.6	1.6
<b>Net (debt)/cash</b>	<b>(650.9)</b>	<b>(483.1)</b>

### Reconciliation of Attributable Net (debt) / Net cash

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

(\$ millions)	March 31, 2023	December 31, 2022
Attributable Long term debt, excluding deferred financing costs of 3.2 and 3.4 and PPA fair value adjustments of 7.3 and 7.5	(536.0)	(439.0)
Attributable COF	(42.0)	(42.0)
<i>Add:</i>		
Attributable Cash and cash equivalents	84.7	139.5
Attributable Short term investments	1.6	1.6
<b>Attributable Net (debt)/cash</b>	<b>(491.7)</b>	<b>(339.9)</b>

### Reconciliation of Available Liquidity

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

(\$ millions)	March 31, 2023	December 31, 2022
Revolving credit facility capacity	600.0	600.0
MVDP debt facility	520.0	520.0
Long term debt (per financials), excluding deferred financing costs of 3.2 and 3.4 and PPA fair value adjustments of 7.3 and 7.5	(692.0)	(595.0)
	<b>428.0</b>	525.0
Cash and cash equivalents (per financials)	99.5	170.3
Short term investments (per financials)	1.6	1.6
<b>Available liquidity</b>	<b>529.1</b>	<b>696.9</b>

## Reconciliation of Cash Flow from Operating Activities per Common Share

(\$ millions, except share and per share amounts)	Q1 2023	Q1 2022
Cash flow from (used in) operating activities (per financials)	3.8	(7.8)
Weighted average common shares - basic (per financials)	691,818,526	438,874,610
<b>Cash flow from operating activities per share</b>	<b>0.01</b>	<b>(0.02)</b>

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

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

(\$ millions, except share and per share amounts)	Q1 2023	Q1 2022
Operating cash flow (per financials)	3.8	(7.8)
Adjustment for changes in working capital (per financials)	38.8	84.8
Other non-cash changes	(0.9)	(6.6)
<b>Operating cash flow before changes in working capital<sup>2</sup></b>	<b>41.7</b>	<b>70.4</b>
Weighted average common shares - basic (per financials)	691,818,526	438,874,610
<b>Operating cash flow before changes in working capital<sup>1</sup> per share (\$)</b>	<b>0.06</b>	<b>0.16</b>

<sup>2</sup> Certain of prior period comparative figures have been reclassified to conform with the current year's presentation

## Reconciliation of Adjusted Net (Loss) Income

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

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

(\$ millions, except share and per share amounts)	Q1 2023	Q1 2022
Net (loss) income (per financials)	(29.0)	35.1
Inventory write-down	3.9	0.4
Unrealized loss (gain) on derivative contracts	34.6	(7.7)
Share-based compensation expense	12.0	19.7
Unrealized foreign exchange loss (gain)	0.7	(0.5)
Mantos acquisition transaction costs	—	19.4
Other expense - non-recurring fees	0.2	0.5
Gain on disposal of assets	(0.2)	(0.1)
G&A - care and maintenance	0.1	0.1
Insurance proceeds received	—	(1.0)
Tax effect on the above adjustments	(13.8)	(4.8)
<b>Adjusted net income</b>	<b>8.5</b>	<b>61.1</b>
Adjusted net income attributable to:		
Shareholders of Capstone Copper Corp.	12.8	61.4
Non-controlling interests	(4.3)	(0.3)
	<b>8.5</b>	<b>61.1</b>
Weighted average common shares - basic (per financials)	691,818,526	438,874,610
<b>Adjusted net income attributable to shareholders of Capstone Copper Corp. per common share - basic (\$)</b>	<b>0.02</b>	<b>0.14</b>
Weighted average common shares - diluted (per financials)	695,053,573	446,821,283
<b>Adjusted net income attributable to shareholders of Capstone Copper Corp. per common share - diluted (\$)</b>	<b>0.02</b>	<b>0.14</b>

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

## Reconciliation of Adjusted EBITDA

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

Adjusted EBITDA is non-GAAP measure of EBITDA before the pre-tax effect of the adjustments made to adjusted net income (above) as well as certain other adjustments required under the RCF agreement in the determination of EBITDA for covenant calculation purposes.

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

(\$ millions)	Q1 2023	Q1 2022
Net (loss) income (per financials)	(29.0)	35.1
Net finance costs	7.9	5.5
Taxes	(10.2)	20.7
Depletion and amortization	48.1	33.2
<b>EBITDA</b>	<b>16.8</b>	<b>94.5</b>
Share-based compensation expense	12.0	19.7
Inventory write-down	3.9	0.4
Realized loss on MVDP financing derivatives	1.8	5.4
Unrealized loss (gain) on derivatives	34.6	(7.7)
Gain on disposal of assets	(0.2)	(0.1)
Unrealized foreign exchange loss (gain)	0.7	(0.5)
Mantos acquisition transaction costs	—	19.4
Other expense - non-recurring fees	0.2	0.5
Unrealized provisional pricing adjustment (revenue)	4.1	(6.3)
Unrealized gain on QP hedges	(7.9)	—
Insurance proceeds received	—	(1.0)
Amortization of deferred revenue - non-cash financing component	(0.7)	(0.9)
<b>Adjusted EBITDA</b>	<b>65.3</b>	<b>123.4</b>
<i>Adjusted EBITDA by mine</i>		
Pinto Valley	41.2	71.1
Mantos Blancos	37.4	8.3
Mantoverde	(4.0)	7.2
Cozamin	30.9	44.7
Other	(40.2)	(7.9)
<b>Adjusted EBITDA</b>	<b>65.3</b>	<b>123.4</b>

## Other Non-GAAP measures

### Sustaining Capital

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

### Expansionary Capital

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

## Additional Information and Reconciliations

### Sales from Operations

	2023		2022				
	Q1	Total	Q1	Q2	Q3	Q4	Total
<b>Copper (tonnes)</b>							
<b>Concentrate</b>							
Pinto Valley	12,196	12,196	14,888	12,884	13,058	13,417	54,247
Mantos Blancos	9,497	9,497	977	8,228	8,819	9,957	27,981
Cozamin	4,823	4,823	5,592	5,935	5,989	5,603	23,119
Total Concentrate	26,516	26,516	21,457	27,047	27,866	28,977	105,347
<b>Cathode</b>							
Pinto Valley	603	603	604	585	643	763	2,595
Mantos Blancos	3,474	3,474	699	3,638	4,097	4,147	12,581
Mantoverde	6,863	6,863	2,748	14,224	11,560	10,811	39,343
Total Cathode	10,940	10,940	4,051	18,447	16,300	15,721	54,519
Total Copper	37,456	37,456	25,508	45,494	44,166	44,698	159,866
<b>Zinc (000 pounds)</b>							
Cozamin	—	—	1,005	(11)	—	677	1,671
<b>Molybdenum (tonnes)</b>							
Pinto Valley	55	55	17	22	(2)	66	103
<b>Silver (000s ounces)</b>							
Cozamin	349	349	352	327	353	284	1,316
Mantos Blancos	330	330	—	378	252	312	942
Pinto Valley	58	58	66	68	54	57	245
Total	736	737	419	773	659	653	2,503
<b>Gold (ounces)</b>							
Pinto Valley	389	389	178	268	44	374	864
Total	389	389	178	268	44	374	864

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

## 6.0 SELECTED QUARTERLY FINANCIAL INFORMATION

(\$ millions, except per share data)	Q1 2023 <sup>(i)</sup>	Q4 2022 <sup>(ii)</sup>	Q3 2022	Q2 2022 <sup>(iii)</sup>	Q1 2022 <sup>(iv)</sup>	Q4 2021 <sup>(v)</sup>	Q3 2021	Q2 2021 <sup>(vi)</sup>
Revenue	335.6	362.1	308.7	356.6	268.1	215.9	165.4	209.4
Earnings (loss) from mining operations	44.4	75.7	(11.2)	37.3	106.0	102.5	62.8	102.8
Net (loss) income attributable to shareholders	(20.0)	(20.9)	34.1	75.1	34.0	41.4	35.0	49.4
Net (loss) income per share attributable to shareholders - basic	(0.03)	(0.03)	0.05	0.11	0.08	0.10	0.09	0.12
Net (loss) income per share attributable to shareholders - diluted	(0.03)	(0.03)	0.05	0.11	0.08	0.10	0.08	0.12
Operating cash flow before changes in non-cash working capital	41.7	99.4	13.9	40.7	70.4	104.9	67.1	140.4
Capital expenditures (including capitalized stripping)	209.4	204.9	148.5	206.6	111.5	42.2	36.0	50.4

<sup>(i)</sup> Net Loss in Q1 2023 includes \$44 million of net loss on derivative instruments.

<sup>(ii)</sup> Net loss in Q4 2022 includes \$24 million of share unit expense and \$64 million of net loss on derivative instruments.

<sup>(iii)</sup> Revenue, Earnings from mining operations, Net income and Operating cash flow before changes in working capital in Q2 2022 includes \$45.5 million of negative non-cash provisional pricing adjustments.

<sup>(iv)</sup> Net income in Q1 2022 includes \$20 million of share unit expense and \$19.9 million of transaction and integration costs as a result of the Mantos Transaction.

<sup>(v)</sup> Net income in Q4 2021 includes \$27 million of share unit expense.

<sup>(vi)</sup> Net income in Q2 2021 includes \$19 million of share unit expense.

## 7.0 OUTSTANDING SHARE DATA AND DILUTION CALCULATION

The Company is authorized to issue an unlimited number of common shares, without par value. The table below summarizes the Company's common shares and securities convertible into common shares as at May 2, 2023:

Issued and outstanding	694,123,130
Share options outstanding at a weighted average exercise price of \$3.06	5,647,904
Treasury share units outstanding at a weighted average exercise price of \$5.55	2,718,041
Fully diluted	702,489,075

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

## 8.0 MANAGEMENT'S REPORT ON INTERNAL CONTROLS AND OTHER INFORMATION

### Disclosure Controls and Procedures ("DC&P")

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

### Internal Control Over Financial Reporting ("ICFR")

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

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

There have been no changes in the Company's ICFR that materially affected, or are reasonably likely to materially affect, ICFR during the three months ended in March 31, 2023.

### Other Information

#### Approval

The Board of Directors of Capstone Copper approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it from the Company. A copy of this MD&A is also available for viewing at the Company's website at [www.capstonecopper.com](http://www.capstonecopper.com) or on the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

#### Additional Information

Additional information is available for viewing at the Company's website at [www.capstonecopper.com](http://www.capstonecopper.com) or on the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## 9.0 NATIONAL INSTRUMENT 43-101 COMPLIANCE

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

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

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

## 10.0 RISKS AND UNCERTAINTIES

For full details on the risks and uncertainties affecting the Company, please refer to the Annual Information Form dated March 29, 2023 (See section entitled “Risk Factors”). This document is available for viewing on the Company's website at [www.capstonecopper.com](http://www.capstonecopper.com) or on the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **We face added risks and uncertainties of operating in foreign jurisdictions, including changes in regulation and policy, and community interest or opposition.**

Capstone's business operates in a number of foreign countries where there are added risks and uncertainties due to the different economic, cultural and political environments. Our mineral exploration and mining activities may

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled “Alternative Performance Measures”.

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

Other risks of foreign operations include political or social and civil unrest, labour disputes and unrest, invalidation of governmental orders and permits, corruption, organized crime, theft, sabotage, war, civil disturbances and terrorist actions, arbitrary changes in law or policies of particular countries including nationalization of mines, government action or inaction on climate change, trade disputes, foreign taxation, royalties, price controls, delays in obtaining or renewing or the inability to obtain or renew necessary environmental permits, opposition to mining from local communities and environmental or other non-governmental organizations, social perception impacting our social licence to operate, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports and increased financing costs. Local economic conditions, including but not limited to higher incidences of criminal activity and violence in areas, such as Mexico and Chile, can also adversely affect the security of our people, operations and the availability of supplies. Mexico and Chile are subject to increasing occurrences of theft of copper concentrates and cathodes. Capstone may experience theft of its products which may impact our financial results. Capstone may encounter social and community issues including but not limited to public expression against our activities, protests, road blockages, work stoppages, or other forms of expression, which may have a negative impact on our reputation and operations or projects. Opposition to our mining activities by local landowners, the ejidos, communities, or activist groups may cause significant delays or increased costs to operations, and the advancement of exploration or development projects, and could require Capstone to enter into agreements with such groups or local governments.

In addition, risks of operations in Mexico include extreme fluctuations in currency exchange rates, high rates of inflation, significant changes in laws and regulations including but not limited to tax and royalty regulations, labor regimes, failures of security, policing and justice systems, corruption, and incidents such as hostage taking and expropriation. There are uncertainties regarding Mexico's approved 2022 Economic Package and Tax Reform, that may have an impact on Cozamin's operations and profitability. Mexico's President recently presented an initiative to amend several provisions of the Mining Law, the National Water Law, the General Law of Ecological Balance and Environmental Protection, and the General Law for the Prevention and Integral Management of Waste regarding mining and water concessions (the "Initiative"). The Initiative will need approval by the Chamber of Representatives and the Senate and as such, the final form and timing of adoption of the Initiative is still unknown. The Initiative, if approved, would have significant negative implications for future investment in the Mexican mining industry.

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

There can be no assurance that changes in the government, including but not limited to the change in the federal administration of the United States, or laws or changes in the regulatory environment for mining companies or for non-domiciled companies will not be made that would adversely affect Capstone's business, financial condition, results of operation and prospects. There are uncertainties related to President Biden's Made in America Tax Plan which proposes corporate tax reforms that may increase Pinto Valley's future tax obligations.

Differences in interpretation or application of tax laws and regulations or accounting policies and rules and Capstone's application of those tax laws and regulations or accounting policies and rules where the tax impact to the Company is materially different than contemplated may occur and adversely affect Capstone's business, financial condition, results of operation and prospects, including, but not limited to, carbon emissions taxes. There

are uncertainties about the application of the new carbon emissions tax in Chile to Capstone's operations. Capstone is subject to a multitude of taxation regimes and any changes in law, policy or interpretation of law, policy may be difficult to react to in an efficient manner.

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

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

**The potential adoption of a mining royalty tax in Chile could adversely affect Capstone Copper's operations.**

In late October 2022, an amended legislative proposal was re-introduced that, if implemented as proposed, would affect mining entities with sales of 50,000 metric tonnes of fine copper, or the equivalent substance converted into metric tonnes of fine copper and had two components. The first component is an ad valorem tax of 1% for companies that produce more than 50,000 and would not be assessed if operating margins are negative. The second component is a rate between 8% and 26% on the operational margin after depreciation.

The proposal will need approval from both the Lower House and Senate and as such, the final form and timing of adoption of the mining royalty bill is still unknown. If adopted and enacted, the proposed royalty bill may have an impact on Mantos Blancos, Mantoverde and Santo Domingo's operations and profitability and would have significant negative implications for future investment in the Chilean copper industry more broadly, reducing the attractiveness of new copper projects. Companies with tax stability agreements in place should be protected from the potential new royalty bill. Capstone retains a tax stability agreement at Santo Domingo with respect to mining royalties which becomes effective post commercial production for a period of 15 years. Certain investment and other criteria need to be met to maintain the tax stability agreement. This may limit or disrupt Capstone's projects, reduce financial viability of local operations, restrict the movement of funds or result in the deprivation of contract rights.

**Land reclamation and mine closure requirements may be burdensome and costly.**

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

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

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

**There are uncertainties and risks related to the MB-CDP and the MVDP.**

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

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

<sup>1</sup> These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".