CAPSTONE COPPER CORP.

ARBN 673 751 490

A foreign company registered in the jurisdiction of British Columbia, Canada

PROSPECTUS

For an offer of 10 CHESS Depositary Interests in Capstone at an issue price of A$7.30 each to raise A$73.00 (before costs) (**Offer**)

The Offer contained in this Prospectus is for the primary purpose of ensuring that "on sales" of any CDIs, transmuted from Shares issued by Capstone prior to the date of this Prospectus, have the benefit of the disclosure exemption in section 708A(11) of the Corporations Act.

This is an important document and requires your attention. It should be read in its entirety. Please consult your professional adviser(s) if you have any questions about this document.

Investment in the CDIs offered pursuant to this Prospectus involves significant risks that should be carefully considered by prospective investors before applying for CDIs. Refer to Section 4 for a summary of the key risks associated with Capstone and an investment in the CDIs.

Important Information

THE OFFER

This Prospectus is issued by Capstone Copper Corp. (Australian Registered Body Number 673 751 490), a foreign company registered in British Columbia, Canada (British Columbia company incorporation number C1354412) (**Capstone**) for the purpose of Chapter 6D of the Corporations Act 2001 (Cth) (**Corporations Act**).

The offer contained in this Prospectus is an offer to acquire CHESS Depositary Interests (**CDIs**) over fully paid common shares in the capital of Capstone (**Shares**) (**Offer**). Each CDI represents one underlying Share. The Shares offered under this Prospectus will be issued to investors in the form of CDIs so that those investors may trade the Shares on the Australian Securities Exchange (**ASX**) and settle the transactions through the Clearing House Electronic Subregister System (**CHESS**). Note that in this Prospectus, the terms "Shares" and "CDIs" may be used interchangeably, except where the context requires otherwise.

The Offer contained in this Prospectus is for the primary purpose of ensuring that "on sales" of any CDIs, transmuted from Shares issued by Capstone prior to the date of this Prospectus, have the benefit of the disclosure exemption in section 708A(11) of the Corporations Act.

In preparing this Prospectus, regard has been had to the fact that Capstone is listed on the Toronto Stock Exchange (**TSX**) and subject to the continuous disclosure obligations under the Canadian Securities Laws (which is substantially equivalent to the regime applicable to Capstone as if it were a 'disclosing entity' for the purposes of the Corporations Act), and as a result certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Refer to Sections 6 and 8.2 for further information.

LODGEMENT AND LISTING

This Prospectus is dated, and was lodged with the Australian Securities and Investments Commission (**ASIC**) on, 6 March 2024. Capstone will apply to ASX Limited (ABN 98 008 624 691) within seven days after the date of this Prospectus for quotation on the ASX of the CDIs the subject of the Offer. Neither ASIC nor the ASX, nor any of their respective officers, takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

A copy of this Prospectus has been filed on SEDAR+ with applicable Canadian securities regulatory authorities. The Prospectus has not been approved or disapproved by the TSX or any Canadian securities regulatory authority, nor has the TSX or any Canadian securities regulatory authority passed upon the accuracy or adequacy of the information in this Prospectus. Neither the TSX nor any of its officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

EXPIRY DATE

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus (**Expiry Date**). No CDIs or Shares will be issued or sold on the basis of this Prospectus after that Expiry Date.

NOT INVESTMENT ADVICE

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding to invest in the Company. In particular, you should consider the risk factors outlined in Section 4 that could affect the performance of the Company. There may be risk factors in addition to these that should be considered in light of your personal circumstances. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional advice from your stockbroker, solicitor, accountant or other independent adviser before deciding to invest. No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus. Any information relating to the Offer that is not in this Prospectus may not be relied on as having been authorised by the Company or any other person in connection with this Offer. You should only rely on information in this Prospectus.

SPECULATIVE INVESTMENT

The CDIs offered pursuant to this Prospectus should be considered speculative. There is no guarantee that the CDIs offered pursuant to this Prospectus will make a return on the capital invested, that dividends will be paid on the CDIs or that there will be an increase in the value of the CDIs in the future.

Prospective investors should carefully consider whether the CDIs offered pursuant to this Prospectus are an appropriate investment for them in light of their personal circumstances, including their financial and taxation position. Refer to Section 4 for details relating to the key risks applicable to an investment in Capstone.

PAST PERFORMANCE INFORMATION

This Prospectus includes information regarding the past performance of Capstone. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

FORWARD-LOOKING INFORMATION

This Prospectus contains "forward-looking information" within the meaning of applicable Canadian and Australian securities legislation (collectively, **forward-looking information**).

Forward-looking information includes, but is not limited to, statements with respect to the estimation of Mineral Resources and Mineral Reserves, budgets and planned exploration and development activities, the future interpretation of geological information, the cost and results of exploration and development activities, future financings, the future price of commodities and requirements for additional capital. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or the negative connotation thereof or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative connotation thereof.

Forward-looking information is based on the then current expectations, beliefs, assumptions, estimates and forecasts about Capstone's business and the industry and markets in which it operates. Those assumptions and factors are based on information currently available to Capstone, including information obtained from third-party industry analysts and other third-party sources. Although the assumptions made by Capstone in providing forward-looking information are considered by Capstone management to be reasonable at this time, there can be no assurance that such assumptions will prove to be accurate.

Forward-looking information also involves known and unknown risks and uncertainties and other factors, which may cause actual results, performances and achievements of Capstone to differ materially from any projections of results, performances and achievements of Capstone expressed or implied by such forward-looking information. The key risk factors associated with an investment in Capstone are detailed in Section 4.

Although Capstone has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated, estimated or intended. Accordingly, investors should not place undue reliance on forward-looking information. The forward-looking information contained in this Prospectus is stated as of the Prospectus Date and, accordingly, is subject to change after such date. Capstone does not undertake any obligation to update or reissue forward-looking information as a result of new information or events except as required by applicable securities laws.

REGULATION OF CAPSTONE

As Capstone is not established in Australia and does not presently have any Australian operations, its general corporate activities (apart from offering securities in Australia) are not regulated by the Corporations Act or by ASIC, but are instead governed by the Business Corporations Act (British Columbia) (**BCBCA**) and other applicable Canadian laws. Refer to Sections 2 and 8.6 for further information.

Capstone's Shares are listed and posted for trading on the TSX (TSX:CS) operated by TMX Group Limited. The TMX Group Limited has not examined or approved the contents of this Prospectus.

Capstone's CDIs are listed and quoted for trading on the Australian Securities Exchange (ASX:CSC) operated by ASX. ASX has not examined or approved the contents of this Prospectus.

CONTINUOUS DISCLOSURE

This Prospectus is intended to be read in conjunction with the publicly available information released by Capstone to TSX and ASX in connection with the principles of disclosure under the TSX Listing Rules and ASX Listing Rules. Investors should have regard to the information lodged with SEDAR+ and ASX as well as the information contained in this Prospectus. No document or information released on TSX and ASX is incorporated by reference into this Prospectus.

FOREIGN JURISDICTIONS

This Prospectus does not constitute an offer or invitation to apply for CDIs in any place in which, or to any person to whom, it would be unlawful to make such offer or invitation. No action has been taken to register or qualify the CDIs or the Offer, or to otherwise permit a public offering of the CDIs, in any jurisdiction outside Australia.

The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

United States

This Prospectus may not be distributed to, or relied upon by, persons in the United States. The CDIs have not been, and will not be, registered under the United States Securities Act of 1933, as amended (**US Securities Act**), or the securities laws of any state of the United States, and may not be offered or sold, directly or indirectly, in the United States, except in a transaction exempt from, or not subject to, registration under the US Securities Act and applicable United States state securities laws.

Canada

This Prospectus does not constitute a prospectus under Canadian securities laws and the securities issued and distributed under this Prospectus may not be sold or distributed to residents of Canada. This Prospectus is not, and under no circumstances is to be construed as, an advertisement or an offering of the securities referred to in this Prospectus in Canada. No securities commission, stock exchange or similar authority in Canada has reviewed or in any way passed upon this Prospectus or the merits of the securities described. The CDIs are being issued on a private placement basis under Canadian securities laws pursuant to the exemption from the prospectus requirements of Canadian securities laws contained in BC Instrument 72-503 on the basis of representations made, or deemed to be made, by the Subscriber hereunder, including that the Subscriber is not a resident of Canada. No prospectus has been filed by Capstone with any securities commission or similar regulatory authority in any jurisdiction of Canada in relation to this Prospectus.

PROSPECTUS AND APPLICATION FORM

This Prospectus will generally be made available in electronic form by being posted on Capstone's website at www.capstonecopper.com.

Contact details for Capstone and details of Capstone's Australian registered office are detailed in the Corporate Directory. The Offer constituted by this Prospectus in electronic form is only available to persons selected by the Company to receive an electronic version of this Prospectus and relevant Application Form within Australia.

The electronic copy of this Prospectus available from Capstone's website will not include an Application Form. Applications will only be accepted on the relevant Application Form attached to, or accompanying, this Prospectus. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is accompanied by or attached to a complete and unaltered copy of this Prospectus.

Prospective investors wishing to subscribe for CDIs under the Offer should complete the Application Form.

NO COOLING-OFF RIGHTS

Cooling-off rights do not apply to an investment in CDIs issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your application once it has been accepted.

DEFINED TERMS

Some words and expressions used in this Prospectus have defined meanings, which are explained in the Glossary in Section 9.

TIME

Unless otherwise stated or implied, a reference to time in this Prospectus is to Australian Eastern Daylight Time (**AEDT**). Unless otherwise stated or implied, references to dates or years are calendar year references.

CURRENCY

All financial amounts contained in this Prospectus are expressed as United States currency unless otherwise stated. Conversions may not reconcile due to rounding. All references to "C$" are references to Canadian dollars, all references to "US$" are references to United States dollars and all references to "A$" are references to Australian dollars.

Where an amount is expressed in this Prospectus in A$, C$ or US$, the conversion is based on the following indicative exchange rates being, A$1.00 = C$0.88, C$1.00 = US$0.74 and A$1.00 = US$0.66.

Amounts referred to in this Prospectus when expressed in Australian dollars, Canadian dollars or United States dollars may change as a result of fluctuations in the exchange rate between those currencies.

The CDIs will be listed on the ASX and priced in Australian dollars. However, Capstone's reporting currency is United States dollars and its Shares are listed on the TSX in Canadian dollars. As a result, movements in foreign exchange rates may cause the price of Capstone's securities to fluctuate for reasons unrelated to Capstone's financial condition or performance and may result in a discrepancy between Capstone's actual results of operations and investors' expectations of returns on ASX-listed CDIs expressed in Australian dollars. In addition, if a dividend is paid by Capstone in the future, this dividend will be denominated in a currency other than Australian dollars. As such, investors will be exposed to foreign currency exchange rate risk.

PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by Capstone. Diagrams and maps used in this Prospectus are illustrative only and may not be drawn to scale.

PRIVACY

By filling out the Application Form to apply for CDIs you are providing personal information to Capstone through Computershare Investor Services Pty Limited, which is contracted by Capstone to manage Applications (**Australian Registry**). Capstone, and the Australian Registry on its behalf, may collect, hold and use that personal information in order to process your Application to service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, Capstone and the Australian Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by Capstone, which it considers may be of interest to you. Your personal information may also be provided to Capstone's members, agents and service providers on the basis that they deal with such information in accordance with Capstone's privacy policy and applicable laws. The members, agents and service providers of Capstone may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are as follows: (a) the Australian Registry for ongoing administration of the Shareholder register; (b) printers and other companies for the purpose of preparation and distribution of statements and for handling mail; (c) market research companies for the purpose of analysing the Shareholder base and for product development and planning; and (d) legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the CDIs and for associated actions.

You may request access to your personal information held by, or on behalf of, Capstone. You may be required to pay a reasonable charge to the Australian Registry in order to access your personal information. You can request access to your personal information by writing to the Australian Registry as follows: privacy@computershare.com.au.

WEBSITE

Capstone maintains a website at www.capstonecopper.com (**Capstone's Website**). No document or information included on Capstone's Website is incorporated by reference into this Prospectus.

TECHNICAL INFORMATION

Unless otherwise indicated, the disclosure contained in this Prospectus of a scientific or technical nature, including disclosure of Mineral Resources and Mineral Reserves, is based on the following technical reports (each a **Technical Report**) prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects (**NI 43-101**):

- "NI 43-101 Technical Report on the Pinto Valley Mine, Arizona, USA " dated 11 June 2021 with an effective date of 31 March 2021 (**Pinto Valley Technical Report**);

- "Mantos Blancos Mine NI 43-101 Technical Report Antofagasta / Región de Antofagasta, Chile" filed 5 January 2022 with an effective date of 29 November 2021 (**Mantos Blancos Technical Report**);

- "Mantoverde Mine and Mantoverde Development Project NI 43-101 Technical Report Chañaral / Región de Atacama, Chile" filed 5 January 2022 with an effective date of 29 November 2021 (**Mantoverde Technical Report**);

- "NI 43-101 Technical Report on the Cozamin Mine, Zacatecas, Mexico" filed 2 May 2023, with an effective date of 1 January 2023 (**Cozamin Technical Report**); and

- "Santo Domingo Project, Region III, Chile, NI 43-101 Technical Report" with an effective date of 19 February 2020 and a report date of 24 March 2020 (**Santo Domingo Technical Report**).

The Technical Reports and all news releases, and other public filings are available under Capstone's profile on SEDAR+ and may be accessed electronically at www.sedarplus.ca (each a **SEDAR Disclosure**).

Each SEDAR Disclosure was prepared in accordance with NI 43-101 issued by Canadian Securities Administrators, which prescribes reporting standards in relation to reporting of scientific and technical information in relation to mineral projects. Specifically, NI 43-101 requires that Mineral Resource and Mineral Reserve estimates be prepared in accordance with, and have the meaning ascribed by, the Canadian Institute of Mining and Petroleum (CIM) Definition Standards. The CIM Definition Standards prescribed by NI 43-101 are broadly equivalent to the reporting standard ordinarily applicable to Australian publicly listed companies, being the JORC Code. For further information on the comparison between the JORC Code and the CIM Definitions Standards prescribed by NI 43-101, refer to Section 8.10.

All technical information in this Prospectus relating to any updates since the Technical Reports has been reviewed and approved by Qualified Persons.

Actual recoveries of mineral products may differ from reported Mineral Resources and/or Mineral Reserves due to inherent uncertainties in acceptable estimating techniques. In particular, Inferred Mineral Resources have a great amount of uncertainty as to their existence, economic and legal feasibility and are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as Mineral Reserves, and Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into proven and probable reserves.

CLASSIFICATION OF MINERAL RESERVES AND MINERAL RESOURCES

Capstone's Mineral Resources are presented inclusive of Mineral Reserves.

In this Prospectus and as required by NI 43-101, the definitions of Proven and Probable Mineral Reserves and Measured, Indicated and Inferred Mineral Resources are those used by Canadian provincial securities regulatory authorities and conform to the definitions under the CIM Definition Standards.

Unless otherwise stated, Capstone's Mineral Reserves and Mineral Resources are reported on an attributable basis, reflecting Capstone's effective ownership interest in the resources, reserves, production or sales data, or other amount or measure, whether established contractually or otherwise.

Qualified Persons Statement

The disclosure contained in this Prospectus of a scientific or technical nature, including disclosure based on, and relating to any updates to, the Technical Report has been reviewed and approved by Qualified Persons who supervised the preparation of the technical information included in this Prospectus, including updates to the Technical Reports.

These Qualified Persons, as defined by NI 43-101, are set out as "Qualified Persons" in Section 8.16.

Non-IFRS Financial Information

This Prospectus includes certain financial data and metrics, such as "EBITDA", "AISC", "net cash", "Cu-eq" and "C1 Cash Costs" that are not recognised under generally accepted accounting principles (**GAAP**) in Canada and are classified as 'non-IFRS Financial Information' under ASIC Regulatory Guide 230 'Disclosing non-IFRS Financial Information' (**RG 230**). Capstone uses this non-IFRS information to assess the performance of the business and to provide additional insights into the underlying performance of its assets. The non-IFRS Financial Information metrics do not have standardised meanings under Canadian GAAP and, therefore, may not be comparable to similarly titled measures presented by other mining entities. Non-IFRS financial information should be considered in addition to, and not as a replacement for, financial measures determined in accordance with Canadian GAAP. Investors are cautioned therefore not to place undue reliance on any non-IFRS Financial Information included in this Prospectus. Refer to Section 3.8 for further information.

QUESTIONS

If you have any questions about how to apply for CDIs, instructions on how to apply for CDIs are set out in Section 6 and on the back of the Application Form.

If you have any questions about whether to invest in Capstone, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Capstone.

Contents

Key dates

Prospectus lodgement date	Wednesday, 6 March 2024
Offer opens	Wednesday, 6 March 2024
Offer closes (Closing Date) (5.00pm AEDT)	Thursday, 7 March 2024
Issue of CDIs under the Offer (Allotment Date)	Tuesday, 12 March 2024
Expected dispatch of holding statements / allotment confirmations	Wednesday, 13 March 2024

These dates are indicative only and are subject to change. Capstone reserves the right to amend any and all of the above dates without notice (subject to the ASX Listing Rules and the Corporations Act).

Capstone also reserves the right not to proceed with the Offer at any time before the issue of CDIs to successful Applicants. If the Offer is cancelled or withdrawn before settlement, all Application Monies provided under the Offer will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.

Key statistics

Shares on issue / CDIs on issue [1]	752,989,215 / 40,000
Offer price per CDI	A$7.30
Number of CDIs to be issued under the Offer	10
Ratio of CDIs per Share	1 CDI = 1 Share
Total number of Shares / CDIs to be on issue following the Offer [2]	752,989,225 / 40,010
Proceeds of the Offer (before expenses)	A$73.00

NOTES

1. As at the Latest Date. Each Share represented by a CDI is excluded from the total of Shares on issue stated here.
2. Assuming no transmutations of CDIs, exercises of Options or redemptions of RSUs or PSUs between the Latest Date and the end of the Offer Period. Each Share represented by a CDI is excluded from the total of Shares on issue stated here.

1 INVESTMENT OVERVIEW

The information below is a selective overview only and not intended to provide full information for prospective investors in Capstone. Prospective investors should read this Prospectus and Capstone's other public disclosures in full before deciding whether to invest in any securities of Capstone.

1.1 Company and business overview

Item	Summary information	For more information
Who is the issuer of this Prospectus?	Capstone Copper Corp. (ARBN 673 751 490), a foreign company registered in the jurisdiction of British Columbia, Canada, with incorporation number C1354412.	Section 2
What is Capstone's business?	Capstone Copper Corp. is an Americas focused copper mining company.	Section 2
Where does Capstone operate?	Capstone is headquartered in Vancouver, British Columbia, Canada. Capstone's primary operations are in the Atacama region of Chile, the Zacatecas region of Mexico and Arizona in the United States.	Section 2
What are Capstone's main projects?	Capstone operates 4 mines: Pinto Valley Cu-Mo Mine (USA), Mantos Blancos Cu-Ag Mine (Chile), Mantoverde Cu Mine (Chile), and Cozamin Cu-Ag-Zn-Pb (Mexico). Capstone is also developing the Santo Domingo Cu-Fe-Au project in Chile.	Section 2.4
What reserves and resources does Capstone have?	Capstone has group attributable proven and probable Mineral Reserves of 1,190Mt @ 0.37% copper for 4.55Mt contained copper. Capstone has group attributable measured and indicated Mineral Resources at 2,979Mt at 0.34% copper for 10.02Mt contained copper and inferred Mineral Resources of 743Mt @ 0.32% copper for 2.39Mt contained copper.	Section 2.4
What is Capstone's strategy for its Projects?	Capstone intends to further optimise and extend the mine life of its portfolio of producing assets, and to expand group copper production from the current portfolio target of 260ktpa to its near-term development target of ~420ktpa including through: • completing, commissioning, and optimising the Mantoverde Development Project (**MVDP**); • advancing the Feasibility Study for construction and integration of the Santo Domingo project with Mantoverde (**MV-SD**); • further brownfields expansions at Mantoverde and Mantos Blancos (**MVDP Optimised**) and (**MB Phase II**); • district growth study at Pinto Valley with potential mill throughput expansion and optimisation; • mine life extension at Cozamin through exploration; and	Sections 2.1.2 and 2.5

Item	Summary information	For more information
	• optimisation at Cozamin through refinement of mining methods to increase mineral recovery and reduce dilution.	
Why is Capstone issuing this Prospectus?	The primary purpose of this Prospectus and the Offer is to ensure that “on sales” of any CDIs, transmuted from Shares issued by Capstone prior to the date of this Prospectus, have the benefit of the disclosure exemption in section 708A(11) of the Corporations Act.	Section 6.2
How does Capstone intend to use the proceeds raised under this Prospectus?	Funds raised under this Prospectus will be used for Capstone’s general working capital purposes (including to partially cover the costs of the Offer).	Section 6.2
What are the implications of Capstone being listed on ASX as a Foreign Exempt Listing?	As Capstone is a Foreign Exempt Listing, Capstone is exempt from complying with most of the ASX Listing Rules, on the basis that Capstone complies with the TSX Rules and will immediately provide to ASX all information provided to TSX. This also means that holders of Capstone’s CDIs having different protections to an entity that has a full listing on ASX. Refer to Section 6.4 for a summary of the ASX Listing Rules applicable to Capstone as a Foreign Exempt Listing.	Section 6.4

1.2 Key strengths

The top 5 strengths of Capstone are outlined in the table below.

Item	Summary information	For more information
Multi-asset Americas-focused copper producer	Capstone operates four producing assets and owns 100% of the fully-permitted Santo Domingo Project, all located in top-tier mining jurisdictions in the Americas. Capstone’s diversified asset base de-risks the portfolio and provides four sources of cashflow generation to fund operations, service debt and provide capital for organic and external growth opportunities.	Sections 2.1, 2.3 and 2.4
Significant organic growth pipeline	Capstone’s current and historical production growth pipeline has been underpinned by capital-efficient brownfield expansions and de-bottlenecking initiatives. Recent organic growth projects include the completed Mantos Blancos Concentrator Debottlenecking Project (**MBCDP**), and the Mantoverde Development Project (**MVDP**) which fed first ore to the primary crusher in Q3 2023 and is expected to achieve its nameplate operating rate of 32,000 tonnes per day during Q3 2024. The Company is also evaluating the potential expansion at Mantos Blancos, increasing throughput of the sulphide concentrator plant from 20,000 tpd to 27,000 tpd using existing process infrastructure, while also evaluating options to extend the life of copper cathode production. At Mantoverde, the Company is	Section 2.5

Item	Summary information	For more information
	evaluating the next expansion of the sulphide concentrator, "MVDP Optimized", which is targeting throughput expansion from 32,000 tpd to 45,000 tpd with no major capital equipment upgrades. Work related to the MVDP Optimized Feasibility Study remains on-going with Ausenco and the study is expected to be released in the first half of 2024. In addition, the Phase II expansion opportunity at Mantoverde envisions the potential to twin the sulphide line to process some of the additional 1.0 billion tonnes of Mineral Resources that do not comprise Mineral Reserves. Capstone produced 164ktpa copper in 2023, and is targeting ~260ktpa following the ramp-up of MVDP, and subsequently to ~380ktpa with the Santo Domingo Project in production.	
Improving portfolio quality, supporting lower unit operating costs	With the ramp-up of MVDP, Capstone's production contribution from higher-grade and higher recovery sulphide ores is expected to increase to approximately 85%, from 70% in 2023. As a result, consolidated C1 Cash Costs are expected to decrease from $2.88 per payable pound of copper to approximately $2.00 per payable pound of copper produced when the MVDP is at run-rate production. Production from sulphide ore as a percentage of total production is expected to further increase with the Santo Domingo Project in production.	Section 2.4
Long-life assets and history of successful operations	Capstone's producing assets have each been in production for several decades, have been well capitalised and have demonstrated successful mine life extensions through exploration success. The Pinto Valley Mine first recorded production in 1975 under prior ownership by Magma Copper and subsequently BHP until Capstone acquired the asset in 2013. The Mantos Blancos Mine has been in operation since 1960 and the Mantoverde Mine commenced production in 1995. Both were under Minera Anglo American Chile's (**Anglo American**) ownership prior to the acquisition by Mantos Copper in 2015 which was subsequently acquired by Capstone in 2022. Capstone purchased the Cozamin Mine in 2004 and commenced operations in 2007. Based on existing Mineral Reserves, the Pinto Valley Mine, Mantos Blancos Mine and Mantoverde Mine each have current expected mine lives of >15 years. The Cozamin Mine is expected to operate in its current form for another 7 years and has generated positive free cashflow at all points of the copper price cycle. The Santo Domingo Project is scoped to operate for an 18-year mine life. Mine life extension opportunities exist across the portfolio through Mineral Resource to Mineral Reserve conversion and further upside with significant exploration potential.	Section 2.4
Experienced leadership team	Capstone has a strong executive management team with experience spanning the entire mining cycle, including exploration, permitting, engineering, project financing, mine construction and operations.	Section 5

1.3 Key risks

Some of the key risks of investing in Capstone are outlined in the table below. The risk factors set out in Section 4 and other risks applicable to all securities may affect the value of Capstone's Shares in the future. Accordingly, an investment in Capstone should be considered speculative. Investors should read Section 4 for further information on risk factors.

Item	Summary information	For more information
Risks specific to an investment in Capstone		
Mining risks	Capstone's mining operations may be impacted by operational difficulties which could, in turn, affect Capstone's production levels at its mines, create unforeseen delays, increase its operating costs in the short or long-term, or otherwise adversely affect Capstone's operating and financial performance.	Section 4.2.1
Mineral Resources and Mineral Reserve estimates	Capstone's mineral resource and mineral reserve are estimates and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be inaccurate. Actual recoveries of copper, zinc, iron, gold, silver and cobalt from mineralised material may be lower than those indicated by test work. Material inaccuracies in, or changes to, the mineral resources and mineral reserves estimates may impact on Capstone's life-of-mine plans and other projections as to the future economic viability of Capstone's business operations.	Section 4.2.2
Geotechnical challenges	No assurances can be given that unanticipated adverse geotechnical and hydrological conditions such as landslides, cave-ins, rock falls, slump, ground or stope failures, waste rock, leaching and tailings and water storage facility failures or releases and pit wall failures will not occur in the future or that such events will be detected in advance.	Section 4.2.4
Financing requirements	Capstone may require substantial additional capital to accomplish its exploration, expansion, development or construction plans and fund strategic growth and there can be no assurance that financing will be available on terms acceptable to Capstone, or at all. Capstone may require substantial additional financing to advance the Mantos Blancos Mine, Mantoverde Mine, Pinto Valley Mine, and the Cozamin Mine, or to develop Santo Domingo. Additional financing may not be available when needed and the terms of any agreement could impose restrictions on the operation of Capstone's business. Failure to raise financing when needed could have a material adverse effect on Capstone's business, financial condition, results of operations and prospects.	Section 4.2.7
Labour relations and disruptions	Approximately 80% of the total employees at the Mantos Blancos Mine and 77% of the total employees at the Mantoverde Mine are covered by agreements with one of the labour unions with a presence at the mining operations. Approximately 67% of the total employees at the Pinto Valley Mine are represented by six unions and governed by one collective bargaining	Section 4.2.15

Item	Summary information	For more information
	agreement. Approximately 63% of the total employees at the Cozamin Mine are covered by a collective bargaining agreement. Changes in labour relations legislation, the renegotiation of collective bargaining agreements or other changes in Capstone's relationship with Capstone's employees may result in higher ongoing labour costs, employee turnover, strikes, lockouts or other work stoppages, any of which could have a material adverse effect on Capstone's business, results of operations and financial condition.	
Environmental, construction and mining permits	Mining companies, including Capstone, need many environmental, construction, transportation and mining permits, each of which can be time-consuming and costly to obtain, maintain and renew. In connection with Capstone's current and future operations, Capstone must obtain and maintain a number of permits that impose strict conditions, requirements and obligations on Capstone, including those relating to various environmental and health and safety matters. Any such failure to obtain, maintain, renew or modify permits, or other permitting delays or conditions, including in connection with any environmental impact analyses or third-party challenges, could have a material adverse effect on Capstone's business, results of operations, financial condition and prospects.	Section 4.2.25
Operating in foreign jurisdictions	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. Capstone's mineral exploration and mining activities may be adversely affected by community unrest, political instability and changes to government regulation relating to the mining industry.	Section 4.2.26
General risks		
CDIs	If the number of CDIs quoted on ASX is less than the number of outstanding Shares listed on the TSX, it is possible that the market for CDIs on the ASX may be less liquid than the market for Shares on the TSX. CDI holders also have different rights compared to holders of Shares in Capstone.	Sections 4.3.1 and 4.3.2
Commodity price risk	Capstone's business is largely concentrated in the copper mining industry, and as such Capstone's profitability will be sensitive to changes in, and Capstone's performance will depend on, the overall condition of the copper mining industry, including due to factors outside of Capstone's control. The commercial viability of Capstone's properties and Capstone's ability to sustain operations is dependent on, amongst other things, the market price of copper, zinc, iron, gold, and silver.	Section 4.3.4
Price of Shares and CDIs is volatile	Capstone's Shares and CDIs are subject to a relatively high degree of price volatility. It should be expected that continued fluctuations in price will occur, and no assurances can be made as to whether the share price	Section 4.3.8

Item	Summary information	For more information
	will increase or decrease in the future. A number of factors may influence such price volatility, including factors which are not necessarily related to the operating performance, underlying asset values or prospects of exploration or development stage companies in Canada.	

1.4 Key financial metrics

The financial information presented below is intended as a summary only and should be read in conjunction with the Historical Financial Information referred to in Section 3, as well as the risk factors set out in Section 4.

Item	Summary information	For more information
What is Capstone's financial position?	Capstone's audited consolidated financial statements as of 31 December 2022 and 31 December 2023 are annexed to this Prospectus. Capstone completed the Bought Deal Capital Raising in February 2024, contributing to Capstone's cash reserves as at the Prospectus Date of approximately US$380 million (A$580 million) and debt of approximately US$1,054 million (A$1,608 million).	Section 3, Annexure A and Annexure B
What is Capstone's capital structure after the Offer?	As at the Prospectus Date and assuming there are no transmutations between Shares and CDIs during the Offer Period, Capstone's current and proposed capital structure upon Completion of the Offer is as follows:[1]	Section 3.9

Class	Current	After the Offer
Shares and CDIs[2]	752,989,215	752,989,225
CDIs	40,000	40,010
Share Options	4,333,897	4,333,897
Treasury Share Units	3,969,121	3,969,121
Non-treasury Share Units	2,332,696	2,332,696

Item	Summary information	For more information
How does Capstone generate revenue?	Capstone generates revenue by producing copper products (in concentrate as well as copper cathode), with silver, zinc and other metals produced as by-products from its four operating mines. 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 utilises a grinding and flotation process to recover	Section 2

[1] "Current" figures are as at the Latest Date. "After the Offer" figures assume no transmutations of CDIs, exercises of Options or redemptions of RSUs or PSUs between the Latest Date and the end of the Offer Period.

[2] Each Share represented by a CDI is excluded from the total of Shares on issue stated here.

Item	Summary information	For more information
	sulphide minerals in a copper concentrate saleable as an intermediate product to smelters and refiners.	
How will Capstone periodically report to Shareholders on the performance of its activities?	Under applicable Canadian securities laws, Capstone is required to prepare and file, among other things: • unaudited interim financial statements and an interim management discussion and analysis (**MD&A**) on a quarterly basis; • audited annual financial statements and an annual MD&A; and • an annual information form (**AIF**). Further details of Capstone's continuous and periodic reporting obligations are set out in Sections 8.6 and 8.13. These filings will be available under Capstone's profile on SEDAR+ and the ASX market announcements platform.	Sections 8.6 and 8.13
Will Capstone pay dividends?	Capstone does not have a history of paying dividends and does not anticipate paying dividends in the foreseeable future.	Section 3.14

1.5 Directors and Related Party Interests

The Capstone Board comprises directors with extensive experience in the resources and mining industries.

Item	Summary information	For more information
Who is on the Board of Capstone?	The Directors of Capstone are: • Darren Pylot – Director and Chair • Peter Meredith – Lead Independent Director • Alison Baker – Director • Robert J. Gallagher – Director • Anne Giardini, KC – Director • Patricia Palacios – Director • Gordon Bell – Director • John MacKenzie – Director and Chief Executive Officer The profiles of each of the Directors are detailed in Section 5.1.	Section 5.1
Who is the senior management of Capstone?	The key management personnel of Capstone are: • John MacKenzie – Director and Chief Executive Officer • Cashel Meagher – President and Chief Operating Officer • Raman Randhawa – Senior Vice President and Chief Financial Officer • Peter Amelunxen – Senior Vice President, Technical Services • Jerrold Annett – Senior Vice President, Strategy and Capital Markets • Wendy A King – Senior Vice President Risk, ESG, General Counsel and Corporate Secretary	Section 5.3

Item	Summary information	For more information
	• Chris Richter – Senior Vice President, Corporate Development • James Whittaker – Senior Vice President, Head of Chile The profiles of each of the key management personnel are detailed in Section 5.3.	
What benefits are payable to the Directors and Key Management Personnel?	Directors and Key Management Personnel are entitled to remuneration and fees. Key Management Personnel are also eligible to participate in certain incentives or *at-risk* remuneration arrangements. Information regarding fees, remuneration and incentive arrangements is set out in Section 5.4 and 5.5.	Sections 5.4 and 5.5
What interests do Directors have in Capstone securities?	As at the Prospectus Date, the Directors hold relevant interests in the Capstone securities set out below:	Section 5.4

Name	Number of Capstone securities beneficially held			
	Shares	Treasury Share Units	DSUs	Options
Darren Pylot	3,551,656	748,634	44,425	391,442
Gordon Bell	20,000	Nil	13,966	9651
Peter Meredith	183,618	Nil	327,914	50,122
Alison Baker	Nil	Nil	54,633	36,803
Robert J. Gallagher	10,248	Nil	536,723	122,516
Anne Giardini, KC	Nil	Nil	58,322	40,519
Patricia Palacios	Nil	Nil	25,834	17,307
John Mackenzie	15,049,040	779,581	Nil	523,815

Refer to Section 8.5 for a summary of the terms and conditions of the Options and Share units.

Item	Summary information	For more information
What interests do Key Management Personnel have in securities Capstone securities?	As at the Prospectus Date, the Key Management Personnel hold relevant interests in the Capstone securities set out below:	Section 5.5

Name	Number of Capstone securities beneficially held		
	Shares	Share Units	Options
John MacKenzie	15,049,040	779,581	523,815
Cashel Meagher	200,000	586,313	346,002
Raman Randhawa	600,212	472,825	274,026
Wendy King	369,560	392,672	591,353

Item	Summary information	For more information
	Refer to Section 8.5 for a summary of the terms and conditions of the Options and share units.	
Who are the substantial Shareholders of Capstone?	To the best of the knowledge of Capstone based on available information, as of the date of this Prospectus, the following persons beneficially own, or control or direct, directly or indirectly, 10% or more of the Shares on issue: • Hadrian Capital Partners Inc.; and • Orion Fund JV Limited, Orion Finance (Master) Fund I-A LP and Orion Mine Finance Fund II LP (collectively, **Orion**). Capstone does not consider that the Offer will have a material effect on the control of Capstone. Refer to Section 3.11 for further details of Capstone's substantial Shareholders.	Section 3.11

1.6 Overview of the Offer

Item	Summary information	For more information
What is the Offer?	Capstone is offering up to 10 CDIs at an Offer Price of A$7.30 per CDI to raise up to A$73.00 (before costs). There is no minimum amount sought to be raised by the Offer. There is no provision for oversubscriptions. The Offer is not underwritten.	Section 6.1
What is the proposed use of funds raised under the Offer?	Any funds raised under the Offer will be available to Capstone for general working capital purposes, including to meet the costs of the Offer.	Section 6.2
When will the CDIs issued under this Offer be quoted?	Capstone will apply to ASX within seven days after the date of this Prospectus for quotation of the CDIs offered under this Prospectus on ASX.	Sections 6.2.4 and 6.5
Why is Capstone issuing CDIs?	A "CDI" or a "CHESS Depositary Interest" is the instrument through which investors will be able to acquire an interest in Capstone through trading on the ASX. Each Capstone CDI represents a beneficial interest in one Capstone Share. ASX uses an electronic system called CHESS for the clearance and settlement of trades on ASX. Capstone is incorporated in British Columbia, Canada, and the requirements of British Columbian laws that registered shareholders have the right to receive a stock certificate do not permit the CHESS system of holding uncertificated securities. Accordingly, to enable companies such as Capstone to have their securities cleared and settled electronically through CHESS, depositary instruments called CDIs are issued. CDIs represent the beneficial interest in the underlying shares in a foreign company such as Capstone and are traded in a manner similar to shares in an Australian company listed on ASX.	Section 6.6

Item	Summary information	For more information
What rights and liabilities attach to the Capstone CDIs and underlying Shares?	A description of Capstone Shares, including the rights and liabilities attaching to them, is set out in Section 8.1. A description of the rights of CDI Holders is set out in Sections 8.2 and 8.3.	Section 8.2.
Who is eligible to participate?	The Offer is only open to investors who are invited by the Company to participate and with a registered address in Australia. Investors outside Australia (including Canadian residents) may not participate.	Sections 6.2.4 and 6.7
How do I apply for CDIs?	Applications under the Offer can be made by completing the Application Form, in accordance with the instructions accompanying the Application Form.	Section 6.2.4
What is the allocation policy?	The allotment of CDIs under the Offer will be determined by the Directors. The Directors reserve the right to issue to an Applicant a lesser number of CDIs than the number applied for or reject an Application. If the number of CDIs issued is less than the number applied for by an Applicant, surplus Application Monies will be refunded in full without interest in accordance with the Corporations Act.	Section 6.5
What are the tax implications of investing in the CDIs?	The tax consequences of any investment in the CDIs will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 6.9
Can the Offer be withdrawn?	Yes. Capstone reserves the right to withdraw the Offer at any time before the issue of CDIs to successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest) in accordance with the requirements of the Corporations Act.	Section 6.2.4

1.7 Key differences between Australian and Canadian company law

Item	Summary information	For more information
What are the key differences between Australian and Canadian company and securities laws?	As Capstone is not incorporated in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Corporations Act or by ASIC but instead are regulated by the BCBCA, Canadian common law, applicable Canadian securities laws, the Articles, and the rules and policies of the TSX. Although there are similarities between the two jurisdictions from a company law perspective, there are differences with respect to the operation of certain laws and regulations concerning shares of publicly listed companies including, but not limited to: • corporate procedures; • transactions requiring shareholder approval; • shareholders' right to requisition meetings, vote and appoint proxies; • takeovers; • substantial shareholders reporting; • related party transactions;	Sections 8.1, 8.6, 8.7, and 8.10

Item	Summary information	For more information
	• protection of minority shareholders – oppressive conduct; and • "two-strikes" rule in relation to remuneration reports. Please refer to Section 8.6 for a summary of applicable Canadian securities laws.	

1.8 Further information

If you require further information after reading this Prospectus, please consult your professional advisor(s) or contact Capstone at legal@capstonecopper.com.

2 COMPANY OVERVIEW

2.1 Overview of Capstone

2.1.1 Background

Capstone Copper Corp. is an Americas-focused copper mining company headquartered in Vancouver, Canada.

On 23 March 2022, Mantos Copper (Bermuda) Limited (**Mantos Copper**) completed a court-approved plan of arrangement (the **Merger Transaction**) acquiring all of the issued and outstanding common shares of Capstone Mining Corp. (**Capstone Mining**) and then changed its name to Capstone Copper Corp. (**Capstone**).

Prior to the completion of the Merger Transaction, Capstone Mining was a reporting issuer in Canada and Mantos Copper was a private company. Upon completion of the Merger Transaction, Capstone became a reporting issuer in all of the provinces and territories of Canada and Capstone Mining thereafter ceased to be a reporting issuer in Canada.

The common shares of Capstone are currently listed on the TSX under the symbol "CS" and have been trading on the TSX since March 2023. Capstone's predecessor, Capstone Mining, had been trading on the TSX since July 2004.

As of 31 January 2024, Capstone is also listed on the ASX and its CDIs have been available to be traded under the symbol "CSC".

Capstone's head and registered office is located in Vancouver, British Columbia, Canada and has a local agent in Australia. Capstone's website address is capstonecopper.com.

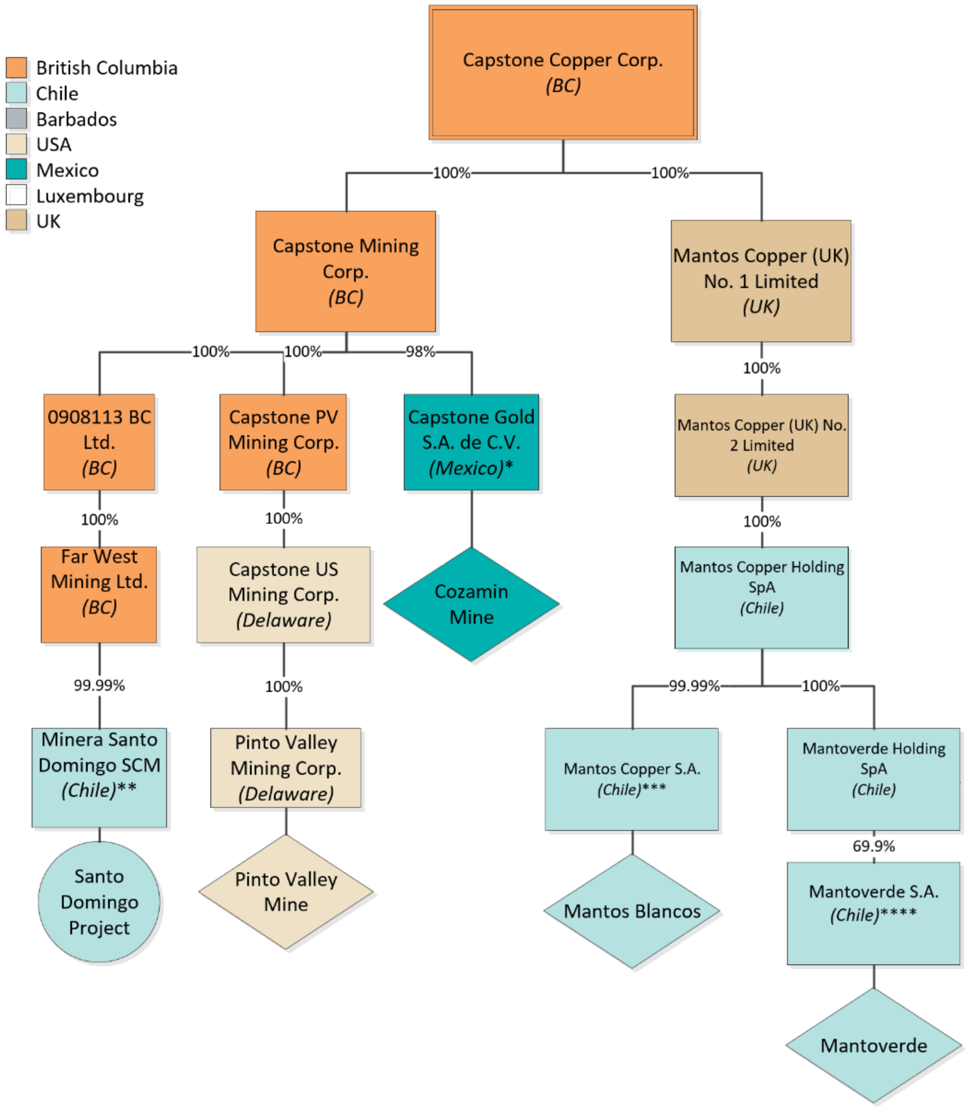
2.1.2 Strategy

Capstone is committed to creating a positive impact in the lives of its people and local communities, while delivering compelling returns to investors by sustainably producing copper to meet the world's growing needs.

Capstone's principal product is copper (in concentrate as well as copper cathode), with silver, zinc and other metals produced as by-products. Capstone's strategy is to grow copper production while executing on cost and operational improvements through innovation, optimisation and safe and responsible production throughout Capstone's portfolio of assets in the Americas. Capstone's focus on profitability and disciplined capital allocation to surface stakeholder value.

2.2 Corporate structure

Capstone's material subsidiaries are illustrated in the simplified corporate structure set out below:



NOTES
* Capstone Mexico Mining Corp. holds the remaining nominal % interest.
** Far West Exploration S.A. holds the remaining nominal % interest.
*** Nominal % interest held by minority investors.
**** Mitsubishi Materials Corporation holds 30% interest with the remaining nominal % interest held by minority investors.

2.3 Copper industry overview

2.3.1 Copper demand

Copper

Copper is a critical metal that contributes to the global economy in a wide range of end uses. Current key end markets for copper include building and construction, electrical network infrastructure, industrial machinery and equipment (e.g. including transformers, motors, valves and fittings), transportation equipment, and consumer goods and general products (e.g. electronics).

Escalating supply side challenges, low visible inventories, and higher than expected demand in China have all been at the forefront of copper's recent pricing support. Meanwhile persistent geopolitical tensions, and most recently the outbreak of the Israel-

Hamas war and a slowdown in the manufacturing sector amid lower consumer demand for goods in the aftermath of interest rate hikes which has also affected the construction sector, have contributed to the uncertainty in the market and indicate some downside risks to the global economy looking ahead.

The medium-to-longer term copper price outlook is considered to be positive, driven by increasing pressures globally to support the energy transition. The transition to a “greener” economy is contributing to incremental demand for copper. New technologies required for electrification and decarbonisation, including electric vehicles and wind power, require motors, transformers and cabling, and have higher copper intensities than the technologies being displaced. Capstone anticipates that demand from the energy transition related sectors, including increasing electric vehicle sales (and their higher copper intensity of use) and also housing completions and appliances, tend to support global refined and total copper consumption growth in 2024.

In power generation, both wind and solar power have a significantly higher copper intensity per megawatt of new installed power compared to conventional power generation. In wind power, copper is used in key areas, including power cables, transformers and the generator. Offshore wind is even more copper intensive due to the length of cabling needed to return power to the grid onshore.

Copper cathode

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 utilises a grinding and flotation process to recover sulphide minerals in a copper concentrate saleable as an intermediate product to smelters and refiners.

From primary mined copper ore there are two common routes to refined metal production. Traditionally, in the metallurgical route, sulphide ore is crushed, ground and then processed by flotation to yield a concentrate, typically with a grade of between 25 to 30% of contained copper. This concentrate is then smelted to produce a matte of between 50 to 70% copper which is then further processed in a converter to yield blister copper with a purity of 98.5 to 99.5%. The molten blister is then refined in an anode furnace or cast and then re-melted, refined and cast into anodes to undergo the final electro-refining stage to produce refined copper cathodes with a purity in excess of 99.99%.

The alternative common route for low-grade, typically oxide or mixed ores is the hydrometallurgical process. Through this process, the copper is extracted from the ore on a pad or dump by way of leaching with dilute sulphuric acid to a pregnant leach solution then submitted to purification through solvent extraction, followed by electro winning (in combination described as the Leach-SX-EW process) to yield refined copper cathodes. The latest tendency in the copper industry is to shift sulphide and mixed ore treatment as much as possible from the flotation route to the Leach-SX-EW route, employing one or a combination of chloride-assisted, bio-assisted, temperature-assisted, catalysed, or other techniques to improve recovery from primary and secondary copper sulphides.

2.3.2 Copper supply

Global refined copper is sourced mainly from mined copper.

Copper is typically found in regions where there is a history of significant volcanic or seismic activity. The most productive copper belts are the Andean, Central African, East Australian and Southwestern (North American) copper belts.

Mine disruptions over the past few years highlight the challenges producers face in meeting production targets. One of the main changes to the near-term production profile has been to Cobre Panama, which may remain suspended during H1 2024. This change, alongside revisions to guidance from Anglo American (amongst others) is expected to slow the pace of mine supply growth in 2024.

As a result of the factors described in Section 2.3.3, copper supply has the potential to peak in the next few years, with the pace of base case mine supply growth anticipated to slow thereafter.

2.3.3 Supply outlook

(a) Supply challenges and outlook

A range of factors make the development of new copper mines increasingly challenging, including: declining head grades, increased capital intensity, a lack of new discoveries, water scarcity, increasing metallurgical complexity, permitting approval challenges, and a number of key copper producing regions presenting enhanced resource nationalisation risk.

These medium-to-longer term supply challenges are expected to significantly impact the market with potential to result in a supply deficit.

(b) Copper price outlook

Copper is an internationally traded commodity with its price determined by the major commodity exchanges which include the London Metal Exchange (**LME**), Commodity Exchange Inc. (**COMEX**) and Shanghai Futures Exchange (**SHFE**). The traded copper price generally reflects the current and expected future balance of worldwide copper supply and demand.

The supply challenges identified in Section 2.3.3 and the anticipated supply deficit in the medium-to-long term, contribute to a positive long-term outlook for the copper price.

2.4 Capstone's projects

2.4.1 Overview

Capstone owns and operates four mines, one development project and a portfolio of exploration properties, including:

(a) the Pinto Valley open-pit copper-molybdenum mine (100% Capstone) located in Arizona, USA (**Pinto Valley Mine**, or **PVM**);

(b) the Mantos Blancos copper-silver mine (100% Capstone) located in the Antofagasta region, Chile (**Mantos Blancos Mine**, or **MB**);

(c) the Mantoverde copper-gold mine (70% Capstone), located in the Atacama region, Chile (**Mantoverde Mine**, or **MV**);

(d) the Cozamin underground copper-silver-zinc-lead mine (100% Capstone) located in Zacatecas, Mexico (**Cozamin Mine**); and

(e) the fully permitted Santo Domingo copper-iron-gold-cobalt project (100% Capstone), located approximately 30 kilometres northeast of Mantoverde in the Atacama region, Chile (**Santo Domingo Project**, or **SD**).

In addition to ongoing exploration at Capstone's existing operations aimed at extending mine life, Capstone has a portfolio of early-stage, base metals exploration projects and is actively pursuing additional exploration opportunities through staking and acquiring properties under earn-in and/or joint venture models.

Further information on Capstone's assets is set out in this Section 2.4. Further information is also available in the Technical Reports, Capstone's 2022 Annual Information Form (**AIF**) and Capstone's Q4 2023 MD&A, each of which are available to access under Capstone's profile on SEDAR+ at www.sedarplus.ca or on Capstone's Website.

2.4.2 Overview of the Pinto Valley Mine (Arizona, USA)

(a) Project overview

The Pinto Valley Mine is an open-pit copper-molybdenum mine wholly owned by Capstone located in the Globe-Miami mining district of Arizona, one of the oldest and most productive mining districts in the USA. Since its first recorded production in 1975, the Pinto Valley Mine has produced more than 1.8 Mt of copper, including 0.2 Mt of copper cathode.

In 2022, Pinto Valley produced 56 kt of copper including 54 kt in concentrate and 2 kt as cathode.

The operation consists of an open-pit mine, a 60 ktpd concentrator plant (22 Mtpa) and a 25 ktpd (9 Mtpa) solvent extraction and electrowinning (**SX-EW**) plant. The Pinto Valley Mine is currently the only operating mill and the second-largest employer in the Globe-Miami district, supporting approximately 2,250 direct and secondary jobs each year.

Capstone is currently progressing a district growth study to evaluate district consolidation opportunities into the Pinto Valley mine plan and to unlock associated synergies.

The mine uses conventional open-pit hard rock mining methods (drilling, blasting, loading and hauling) to move copper-bearing sulphide ore to the primary crusher. The processing plant is a conventional porphyry copper concentrator that produces a primary copper sulphide concentrate and a by-product molybdenum concentrate. The plant flowsheet has primary through tertiary crushing, ball milling and conventional flotation.

The mine received a US Forest Service Mine Plan of Operations in November 2021 and is fully permitted to operate for the duration of the current life of mine (**LOM**) plan, which extends to 2039.

(b) Pinto Valley Technical Report

The Pinto Valley Mine is the subject of a report titled "NI 43-101 Technical Report on the Pinto Valley Mine, Arizona, USA" dated 11 June 2021 with an effective date of 31 March 2021 (the **Pinto Valley Technical Report**), prepared in accordance with NI 43-101.

The description of the Pinto Valley Mine in this Prospectus is based on assumptions, qualifications and procedures which are set out in the Pinto Valley Technical Report. For further information, refer to the full text of the Pinto Valley Technical Report, which is available under Capstone's profile on SEDAR+ at www.sedarplus.ca or on Capstone's Website.

(c) **History**

The Globe-Miami mining district is one of the oldest and most productive mining districts in the USA. Since first recorded production in 1878, more than 6.8 Mt of copper has been produced in the district.

Ownership of the Pinto Valley Mine has changed numerous times. Most recently, Broken Hill Proprietary Company Limited purchased Magma Copper Company in 1995. With the merger of Broken Hill Proprietary Company Limited and Billiton in 2001, the Pinto Valley Mining Division became Pinto Valley Operations of BHP Billiton (**BHP**). In 2013, Capstone affiliate, Pinto Valley Mining Corp., purchased the Pinto Valley Operations, now referred to as Pinto Valley Mine.

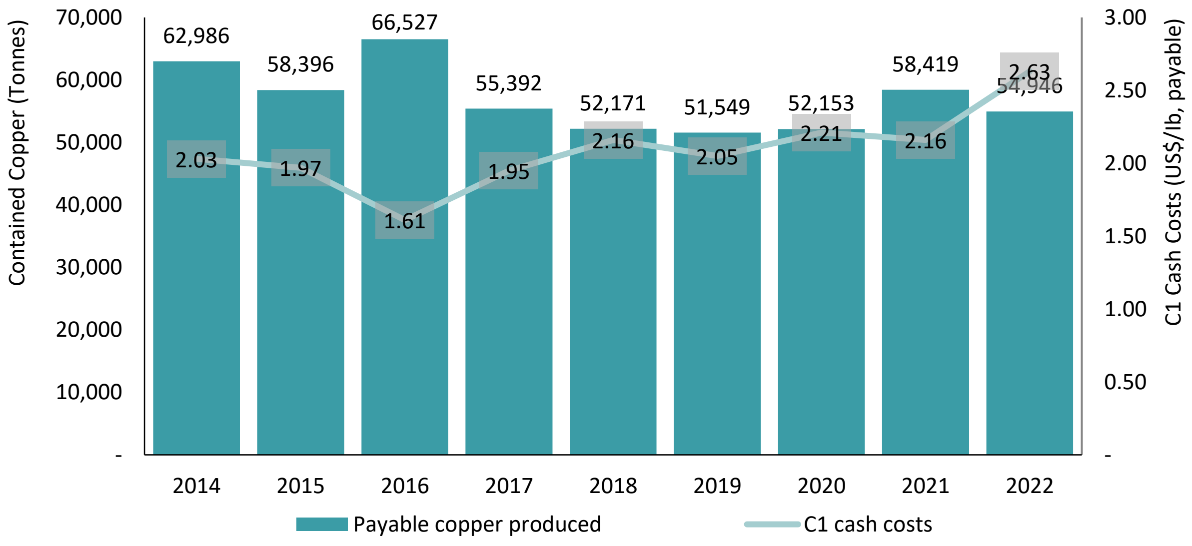
Development of the Pinto Valley Mine open-pit began in 1972 and the concentrator went into production in 1974. The SX-EW plant began processing pregnant leach solution from the leach dumps in 1981. In February 1998, mining and milling operations were suspended, and environmental permits were maintained during the suspension of operations, as were the water and electrical systems. SX-EW facilities and cathode copper production continued during the suspension of mining and milling operations.

The mine has had two restarts since the 1998 shutdown. The mine resumed sulphide operations in mid-2007 for 18 months to January 2009 and then went into care and maintenance with only leaching operations continuing. The second restart began in December 2012 and included extensive rehabilitation of the site and the purchase of a new mining fleet. Since restarting in 2012, PVM has operated continuously.

(d) **Historical production data**

Production at the Pinto Valley Mine and associated C1 Cash Costs for 2014 to 2022 inclusive are summarised in Figure 1. Under Capstone's ownership, the Pinto Valley Mine has produced 530 kt of copper from 2014 to 2022. Production has averaged 57 ktpa over the period and C1 Cash Costs have averaged US$2.09/lb.

Figure 1: Pinto Valley Mine Production Summary since 2014



Refer to Section 2.4.2(o) for 2023 production information.

(e) **Geology and exploration**

The Pinto Valley Mine is a copper porphyry deposit. The primary host rock is the Precambrian-age Lost Gulch Quartz Monzonite (equivalent to the Oracle Granite or Ruin Granite). The deposit's economic mineralisation is a hypogene ore body with chalcopyrite, pyrite, and minor molybdenite as the only significant primary sulphide minerals.

The Globe-Miami mining district is host to several deposits and past-producing mining operations. In 2022, Capstone completed a two-phase exploration program under an 18-month access agreement to conduct drill and metallurgical test work at BHP Copper Inc's Copper Cities project, located approximately 10 km east of the Pinto Valley Mine. An amendment to the agreement was made 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.

A total of 951 drill holes informed the Mineral Resource in the Pinto Valley Technical Report, with 957 drillholes completed to the end of 2022. 778 of these holes were drilled prior to Capstone's ownership, and consisted of core, rotary, and churn drillholes. Churn holes defined much of the early mineralisation, which has been mostly mined out. Since Capstone's ownership in 2013 an additional 179 diamond drill core holes and reverse circulation rotary (**RC**) holes have been drilled, generally targeting to infill upcoming production volumes to measured drill spacing.

Data from drill programs up to 2019 were incorporated into the 2021 block model which can be found in the Pinto Valley Technical Report.

(f) **Mineral Resource and Mineral Reserve estimates**

Table 1: Pinto Valley Mine Mineral Resource as at 31 December 2022

Category	Tonnage (Mt)	%Cu	%Mo	Contained Cu (kt)	Contained Mo (Mt)
Measured	599.1	0.33	0.006	1,949	37
Indicated	744.8	0.26	0.005	1,946	39
Total Measured & Indicated	**1,343.9**	**0.29**	**0.006**	**3,896**	**76**
Inferred	164.2	0.26	0.005	431	9

NOTES:
1. **Cautionary statement:** See the cautionary statement in Section 8.10.
2. **Qualified Persons:** Garth Kirkham, P.Geo., FGC, is the Qualified Person responsible for the Mineral Resource presented in the Pinto Valley Mine Technical Report, effective 31 March 2021. Klaus Triebel, GPG, oversaw depletion of the Mineral Resource for mining activities as at 31 December 2022.
3. **Reporting basis:** Mineral Resources are reported on a 100% basis, using the 2014 CIM Definition Standards.
4. **Effective date:** Mineral Resources are reported with an effective date of 31 December 2022, inclusive of Mineral Reserves.
5. **Economic viability:** Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
6. **Cut-off grade:** Mineral Resources are reported at a 0.14% Cu cut-off grade.
7. **Economic assumptions:** for the reasonable prospects pit include: US$3.50/lb Cu, US$10.00/lb Mo, 84.6% Cu recovery, 8.9% Mo recovery, US$1.74/tonne mining costs, US$1.13/tonne G&A costs, US$0.88/tonne operational support costs, US$4.67/tonne milling costs, and pit slopes by rock type. Stockpile material is included as Measured Mineral Resource.
8. Pinto Valley Mine is an open-pit mine with mineral processing by flotation.
9. **Figures:** All amounts are in USD unless otherwise specified. Summation errors due to rounding. Contained metals are reported at 100%.

Table 2: Pinto Valley Mine Mineral Reserve as at 31 December 2022

Category	Tonnage (Mt)	%Cu	%Mo	Contained Cu (kt)	Contained Mo (kt)
Proven	226.4	0.34	0.007	764	15
Probable	121.1	0.29	0.006	347	7
Total Proven and Probable	**347.5**	**0.32**	**0.006**	**1,111**	**23**

NOTES

1. **Cautionary statement:** See the cautionary statement in Section 8.10.
2. **Qualified Person:** Clay Craig, P.Eng, is the Qualified Person responsible for the Pinto Valley Mine Mineral Reserve estimate.
3. **Reporting basis:** Mineral Reserves are reported on a 100% basis, using the 2014 CIM Definition Standards.
4. **Effective date:** Mineral Reserves are reported with an effective 31 December 2022.
5. **Cut-off grade:** Mineral Reserves are reported at a 0.19% Cu cut-off grade.
6. **Economic inputs:** to the block model were US$3.00/lb per pound copper, US$10.00/lb molybdenum, 86.0% average Cu recovery, 8.5% average Mo recovery, US$1.68/tonne average mining costs, US$1.13/tonne G&A costs, US$0.88/tonne Ops Support costs, US$4.67/tonne milling costs, and pit slopes by rock type. The Mineral Reserve is reported 0.19% copper. Stockpiled material is included as Proven Mineral Reserve.
7. Pinto Valley Mine is an open-pit mine with mineral processing by flotation.
8. **Figures:** All amounts in US$ unless otherwise specified. Summation errors due to rounding. Contained metals are reported at 100%.

(g) Mining operations

The Pinto Valley Mine is an open-pit hard-rock mine, producing copper bearing sulphide ore to a conventional grinding and flotation concentrator with a mine life to 2039. Conventional open-pit mining utilises the cycle of drilling, blasting, loading, and hauling of material to the respective destinations. Ore is hauled to the primary crusher for processing and waste rock material is hauled to waste storage facilities. Total mining rates will average 53 Mtpa from 2021 through 2031, then decrease from 2032 to 2039 as a result of a decline in the strip ratio.

The Pinto Valley Technical Report incorporates a mill throughput of 56 ktpd from 2021 through 2039. Modest increases in trucking capacity are expected during certain periods of the mine plan. The areas mined in the study are the southeast, east and north walls of the Pinto Valley Mine pit, along with deepening the pit with every pushback. Waste rock is to be placed on the Main Dump and a new dump named the West Dump, situated in a valley immediately west of the Main Dump.

(h) Processing and metallurgy

The Pinto Valley process plant is a conventional porphyry copper concentrator that produces a primary copper sulphide flotation concentrate and a by-product molybdenum flotation concentrate. Pinto Valley Mine has historically operated a dump leach operation that produces copper cathode by SX-EW. The Pinto Valley Technical Report assumes no significant future production of copper cathode. The plant flowsheet is typical of its era with primary through tertiary crushing, ball milling and conventional flotation.

The copper concentrate has numerous potential destinations; smelters in Arizona (domestic) and smelters internationally, mostly in Asia due to the geographical location, but material has also been shipped to further destinations such as Europe in the past.

The mill has undergone several optimisations with the most recent upgrade completed in 2021. The Pinto Valley Mine phase 3 study for mine life optimisation and extension to

2039 included investments in the fine crushing plant and two new ball mill shells, as well as upgrades to the tailings thickeners and tailings pumping stations. The upgrades improved productivity, recoveries and mill throughput.

The metallurgical recoveries at Pinto Valley Mine have been reasonably consistent since the restart in 2012. Copper recovery has averaged 85% with saleable concentrate grades ranging from 24.5% to 29.6% copper with by-product credits for gold and silver. The mine plan assumption for future concentrate production is 25% copper. The molybdenum circuit has operated intermittently since the restart and currently a process upgrade and reconfiguration program is being implemented. Molybdenum recovery has averaged approximately 8% over the last 7 years.

Based on the projected copper feed grades over the life of mine, copper recovery is expected to be consistent with operational levels ranging from 85% to 88% averaging 86% based on an average anticipated feed grade of 0.32% copper. Similarly, for the molybdenum circuit, recovery is anticipated to range from 9% to 11% averaging 10% based on an average projected feed grade of 0.006% molybdenum.

The Pinto Valley Mine process flowsheet is set out in the Pinto Valley Technical Report.

(i) Infrastructure, permitting and compliance activities

Infrastructure

Currently, all infrastructure is adequate to support the life of mine through to 2039. This excludes tailings storage and distribution facilities which will continue to be expanded as needed within their established design.

Pinto Valley Mine currently operates two tailings storage facilities (**TSFs**), TSF3 and TSF4. TSF4 is the primary storage facility, and TSF3 is typically used when maintenance is required on the TSF4 tailings distribution system or during plant upset conditions. Inactive TSFs at PVM include Cottonwood TSF and TSF1/2, which have been closed and largely reclaimed. Past performance and stability analyses of TSF3 and TSF4 indicate that these facilities meet Arizona Department of Environmental Quality (**ADEQ**) stability safety requirements for static and pseudo-static (associated with a seismic event of a 975-year recurrence interval) conditions.

The domestic bound concentrate is trucked directly to the smelters from Pinto Valley. The international bound concentrate is trucked directly to the Port of Guaymas in western Mexico, and then loaded onto ships destined for the receiving smelter.

Pinto Valley purchases electricity from grid sources that provide a stable, continuous supply that meets operational requirements. In Arizona, grid electricity is generated from a combination of nuclear, coal, natural gas and renewables like hydro, biomass, solar and wind.

Permitting

The Pinto Valley Mine requires permits granted from various state and federal agencies in the USA. The operations for the railroad require permits mainly from the State of Arizona. Pinto Valley Mine possesses the requisite permits for continued operation through 2039 at the current mill throughput rate.

The principal permitting agencies providing oversight of the operation and closure of PVM are the ADEQ, the Arizona State Mine Inspector's Office (**ASMIO**), the Arizona Department of Water Resources, and the United States Forest Service (**USFS**).

The majority of the environmental permits for the operation are in effect for the life of mine (or until substantive changes are needed). Exceptions are the Arizona Pollutant Discharge Elimination System Individual permit, and Multi-Sector General Permit for stormwater discharge and the Air Pollution Control Permit, which are included in permit programs that require renewal by ADEQ every five years.

Closure Plan

Closure costs were last updated and approved in April 2021 to reflect mine expansion on private land and disturbance through 2039. Financial assurance demonstrations for estimated closure and post-closure costs are updated with the relevant agencies (ADEQ, ASMIO, USFS), as needed, to reflect changes in the configuration of mining and waste disposal facilities.

Closure costs for the Pinto Valley Mine, including associated infrastructure and buildings as well as the rail operations of the San Manuel Arizona Railroad Company, are anticipated to be approximately US$92 million on a discounted cash flow basis.

The Pinto Valley Mine end of life is expected 2039.

Social and community

Capstone is committed to maintaining high environmental and social responsibility standards for its employees and to the communities in which it works. The Pinto Valley Mine operates in accordance with recognised industry standards while complying with local and applicable regulations and laws.

The Pinto Valley Mine has established relationships with its communities of interest and stakeholders and assigns dedicated personnel to manage and enhance these relationships. Arizona has a stable political environment and the state has a long history of supporting copper resource development.

All levels of management and staff participate in community involvement initiatives, community affairs personnel manage and track communication with stakeholders, ensuring timely responses to community needs. Engagement with community stakeholders is proscribed according to Pinto Valley’s Community Engagement Procedure. The procedure outlines stakeholder identification, documentation processes for stakeholder engagement, communication strategies for information requests and distributing information, donations, sponsorships and employee support, employee involvement, memberships, documentation policies for grievances/complaints, and key roles within the organisation with respect to community engagement.

(j) **Royalties and offtake agreements**

Offtake agreements

Capstone has several annual and multi-year concentrate offtake agreements with third parties whereby they will purchase the copper concentrate produced by the Pinto Valley Mine. Contracting strategy will be based on the existing contracts of varying tenure with an emphasis on increasing domestic sales providing a higher net smelter revenue (**NSR**). Copper concentrate will be sold internationally and to domestic smelters.

For the molybdenum sulphide concentrate, sales are being made on an ad hoc basis to interested parties. The full annual production of copper cathode has been sold through a competitive tendering process to a single buyer.

(k) **Health, safety and environment**

Pinto Valley Mine recorded 10 lost time incidents and nil fatalities over the last three years. Pinto Valley Mine's Total Recordable Incident Frequency Rate (**TRIFR**) for 2022 is 0.79 based on 200,000 work hours.

Pinto Valley Mine had no reportable environmental incidents in 2022.

(l) **Workforce**

Miami and Globe are the main communities in the local area. Mining-related jobs are a significant source of employment in the area. These communities are supported by medical, fire, police, public works, transportation and recreational facilities. Medical facilities are available at the Cobre Valley Regional Medical Center located in Miami. The region has an adequate supply of permanent and temporary housing to accommodate PVM's workforce, though much of the workforce lives in the Phoenix Metropolitan Area.

Pinto Valley Mine currently employs approximately 700 personnel at the mine with central support provided from Capstone's Vancouver head office.

(m) **Tenements**

Capstone holds all required mining concessions, surface rights, and rights of way to support mining operations through the depletion of the 31 March 2021 Mineral Reserve estimate. The Pinto Valley Mine property covers approximately 4,500 hectares including over 2,500 hectares of fee parcels of patented mining and mill site claims that provide surface and mineral rights, plus 467 unpatented lode and mill site claims. Further information on tenure can be found in section 4 of the Pinto Valley Technical Report.

(n) **Fiscal regime**

The Pinto Valley Mine is subject to corporate taxes at a rate of 21% which is applied on taxable net income. In years that Pinto Valley incurs an operating loss for taxation purposes, the loss can be used to offset taxable income in future years, up to a maximum of 20 years.

(o) **2023 performance**

2023 production was 3% lower than 2022 mainly due to 6% lower mill throughput (49,273 tpd in 2023 versus 52,130 tpd in 2022) driven by heavy rainfall, including flooding, which resulted in plugged chutes and screens, conveyor belt replacement/structural support rebuild, and unplanned maintenance on the secondary crusher and associated conveyors which caused the equivalent of twenty days of downtime, and unplanned equipment maintenance. Recoveries were higher than 2022 (87.2% 2023 versus 86.5% 2022) on lower mill throughput. The mill feed grade was consistent with the same period last year (0.33% in 2023 versus 0.33% in 2022).

2023 C1 Cash Costs of US$2.79/lb were 6% higher compared to the same period last year of US$2.63/lb primarily due to increased mining costs due to inflationary pressures on explosives and electricity cost, and higher spend on rental equipment, mining equipment tools and maintenance contractors (US$0.27/lb) and lower production (US$0.08/lb), partially offset by higher gold by-product credits and lower treatment costs (-US$0.15/lb).

2.4.3 Overview of the Mantos Blancos Mine (Antofagasta, Chile)

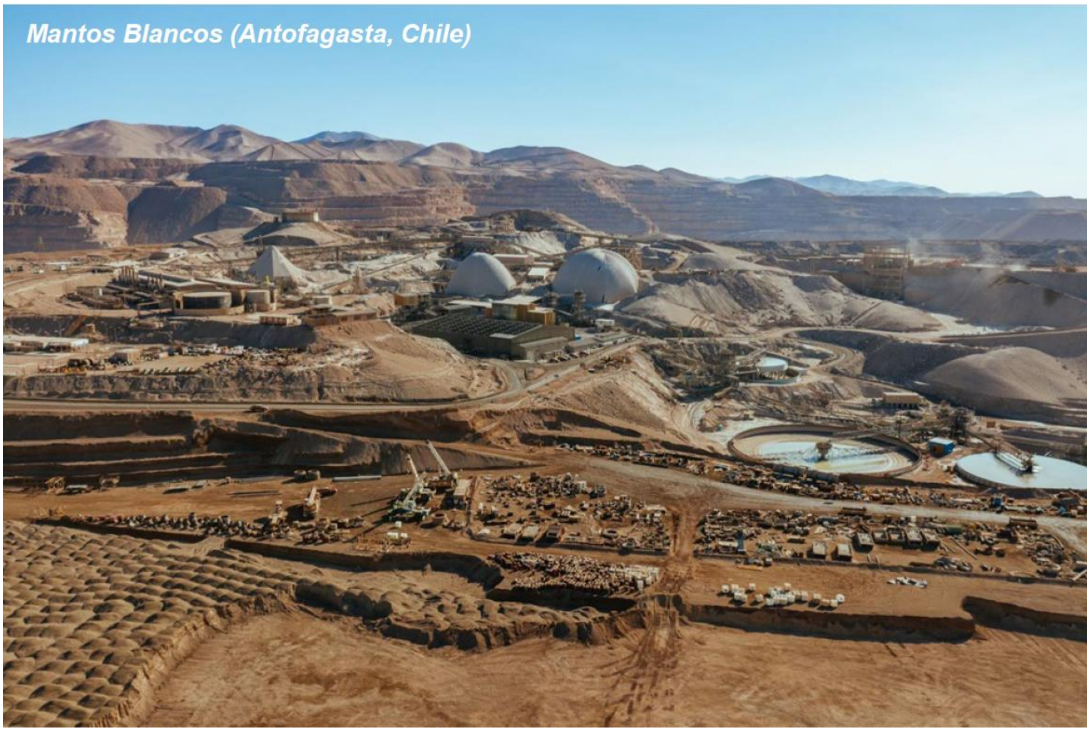
(a) Project overview

Mantos Blancos Mine is an open-pit copper-silver mine located in the Antofagasta region of Chile, within a one-hour drive of port facilities at Antofagasta and Mejillones, and the Glencore-owned Altonorte copper smelter. It is 100% owned by Capstone and in 2023 produced 41kt of copper including 29kt in concentrate and 12kt as cathode.

The operation currently mines and processes both sulphide and oxide ores. Following the completion and ramp up of the Mantos Blancos Concentrator Debottlenecking Development Project (**MBCDP**) in December 2022, the mine primarily treats sulphide ore in a 7.3 Mtpa expanded concentrator (originally 4.2 Mtpa) for the production copper concentrate. The MBCDP has a LOM plan covering 17-years.

Capstone is evaluating the potential to increase throughput of the Mantos Blancos Mine sulphide concentrator plant from 7.3 Mtpa to 10.0 Mtpa (**MB Phase II**, or **Mantos Blancos Phase II**) using existing ball mills and other process equipment to achieve nameplate capacity while evaluating alternative technical approaches.

Figure 2: Mantos Blancos Mine Site Overview



The Mantos Blancos Mine has been in operation since 1960 and is one of the major copper mines in the Antofagasta region. As a result of depletion of the oxide Mineral Reserves, processing in the oxide plant has substantially decreased and only run of mine (**ROM**) dump leaching of low-grade material has been processed since 2020.

(b) Mantos Blancos Technical Report

The Mantos Blancos Mine is the subject of a report titled “Mantos Blancos Mine NI 43-101 Technical Report Antofagasta / Región de Antofagasta, Chile” filed 5 January 2022 with an effective date of 29 November 2021 (the **Mantos Blancos Technical Report**), prepared in accordance with NI 43-101.

The description of the Mantos Blancos Mine in this Prospectus is based on assumptions, qualifications and procedures which are set out in the Mantos Blancos Technical Report. For further information, refer to the full text of the Mantos Blancos Technical Report, which is available under Capstone's profile on SEDAR+ at www.sedarplus.ca or on Capstone's Website.

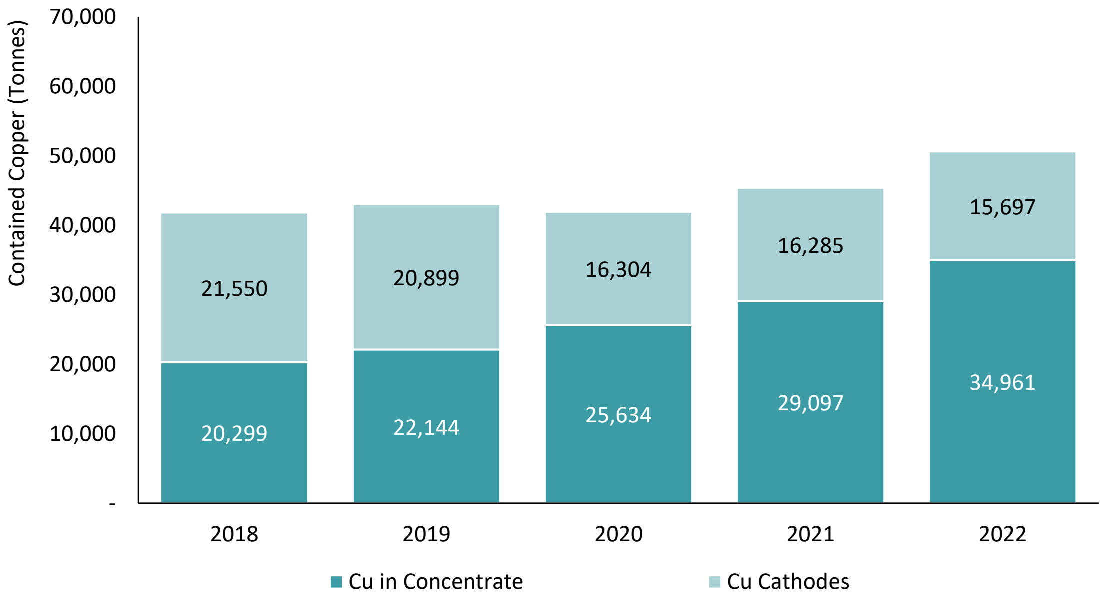
(c) **History**

The economic importance of this mining district has been known since 1883, when David Cervantes and Carlos Mercado discovered veins of oxidised copper mineralisation in the hills located north of the road connecting Antofagasta and Lomas Bayas (Route 5 Panamerican Highway).

In 1955, the Hochschild Group, together with other investors and CORFO (Chilean governmental industry development entity) formed Empresa Minera de Mantos Blancos S.A to develop Mantos Blancos. Open pit mining operations commenced in 1960 with oxide ore treated through a leach plant. Underground operations ran from 1974 – 1996. Construction of the flotation plant to treat sulphide ores commenced at the beginning of 1980 and Anglo American acquired a 40% interest in the project that year. An SX-EW plant was constructed in 1995. During 2012, an expansion project to feed the leach and SX-EW plants from ores in the Santa Barbara open pit commenced. Mantos Copper, owned by Audley Mining Advisors Ltd and Orion Mine Finance LLP, acquired Mantos Blancos in 2015 from Anglo American. On 23 March 2022, Mantos Copper completed a court-approved plan of arrangement acquiring all of the issued and outstanding common shares of Capstone Mining and then changed its name to Capstone Copper Corp.

(d) **Historical production data**

Figure 3: Mantos Blancos Mine Production Summary since 2018



Refer to Section 2.4.3(o) for 2023 production information.

(e) **Geology and exploration**

The Mantos Blancos Mine is a copper-silver deposit located in the Coastal Range of northern Chile, which is an important geomorphological feature because it hosts copper-silver-gold stratabound deposits along an early Cretaceous metallogenic belt. The deposit is mainly characterised by pyroclastic and intrusive host rock units. The pyroclastic rock units are mainly andesite, dacite and rhyolite. The geometry of the mineralised bodies is irregular lenses and oxidised copper sulphides.

The Mantos Blancos Mine has a long history of Mineral Resource discovery and conversion to Mineral Reserves. The deposit's mineralisation is open at depth and several high-potential opportunities for brownfield exploration are known. There is also potential to leverage other opportunities in the district by utilising excess cathode production capacity.

In addition, many mineralised outcrops have been identified at the Rosario prospect, approximately 15 km south of Mantos Blancos Mine. Exploration targets have been identified through the intersection of faults, geological mapping, geophysics and geochemistry, but limited drilling has been performed to date with the most recent activity in 2017 returning the presence of oxide mineralisation.

Drilling at the Mantos Blancos Mine has been completed in support of exploration evaluations, Mineral Resource and Mineral Reserve estimates, mine planning, and geotechnical and metallurgical evaluations. Drilling includes RC, diamond core and sonic methods. The drilling database includes a total of 2,357km drilled by three past and present owners between 1940 and 2021.

Most drilling prior to 2000 occurred in areas that were previously mined and approximately 60% of the drilling located below the December 2020 topography was drilled after 2000. Infill drilling uses a grid of 50 x 50 metres and 15 x 20 metres (on average). Further historical drill data can be found in the Mantos Blancos Technical Report.

(f) Mineral Resource and Mineral Reserve estimates

Table 3: Mantos Blancos Mine Mineral Resources as at 31 December 2022

Process	Category	Tonnage (Mt) (6)	Grade (% Tcu) (3)	Grade (g/t Ag) (3)	Contained Cu (kt) (8)	Contained Ag (koz) (7)
Mantos Blancos Sulphide (Flotation)	Measured	96.7	0.74	5.82	715	18,090
	Indicated	110.0	0.57	4.32	625	15,236
	Total Measured & Indicated	**206.4**	**0.65**	**5.02**	**1,340**	**33,326**
	Inferred	22.5	0.47	3.25	106	2,350

Process	Category	Tonnage (Mt) (6)	Grade (% Scu) (3)	Contained Cu (kt) (7)
Mantos Blancos Oxide (Dump Leach)	Measured	22.5	0.34	77
	Indicated	97.4	0.18	171
	Indicated (Mercedes Stockpile)	1.5	0.14	2
	Indicated (NE Dump Stockpile)	57.0	0.13	74
	Indicated (NW Dump Stockpile)	8.9	0.19	17
	Total Measured & Indicated	**120.0**	**0.21**	**248**
	Inferred (Pit)	10.1	0.26	26
	Inferred (Mercedes Stockpile)	0.3	0.21	1
	Inferred (NW Dump Stockpile)	0.4	0.17	1
	Inferred (NE Dump Stockpile)	12.7	0.13	17

NOTES

1. **Cautionary statement:** See the cautionary statement in Section 8.10.

2. **Qualified Persons:** Ronald Turner, MAusIMM (CP), a WSP employee, is the Qualified Person responsible for these estimates.
3. **Reporting basis:** Mineral Resources are reported insitu, using the 2014 CIM Definition Standards. Mineral Resources are reported on a 100% basis. The attributable percentage to Mantos Copper Holding SpA is 99.993%.
4. **Effective date:** Mineral Resources are reported with an effective date of 31 December 2022, inclusive of Mineral Reserves.
5. **Economic viability:** Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
6. **Cut-off grade:** Mineral Resources are reported at a 0.22% Icu cut-off grade for flotation and at a 0.10% Scu cut-off grade for Dump Leach.
7. **Price assumptions:** Mineral Resource pit is based on a Cu price of US$3.75/lb and an Ag price of US$20.00/oz.
8. Tonnes are reported on a dry metric tonne basis.
9. **Contained Metal (CM):** is calculated by the following formulas:
   a. CM (kt)=Tonnage (Mt) * Tcu (%) * 10 for sulphides
   b. CM (kt) =Tonnage (Mt) * Scu (%) * 10 for oxides
   c. CM (koz) =Tonnage (Mt) * Ag (g/t) * 1000/31.1035 for sulphides.
10. **Recovery:** Flotation recovery is based on a geometallurgical model, 83.4% Tcu and 70.7% Ag as average. Dump recovery is based on operating data averaging 42.4% Scu.
11. **Costs:** Direct mining costs average US$1.76/t of material mined; processing costs (including concentrator, tailings storage facility and water costs) average US$9.98/t of material milled. The general and administration (G&A) cost was not included in the optimisation process. Pit slope inter-ramp angles vary from 36˚ to 59º.
12. **Material contracts:** Through the Osisko Silver Production Agreement, Osisko has the right to buy 100% of the silver production in concentrate (less specified deductions) until reaching 19,300,000 ounces and subsequently 40% paying 92% of the market price
13. **Figures:** All amounts are in USD unless otherwise specified. Summation errors due to rounding. Contained metals are reported at 100%.
14. **Grade abbreviations:** Icu refers to insoluble copper; Scu refers to soluble copper; Tcu refers to total copper.

Table 4: Mantos Blancos Mineral Reserves as at 31 December 2022

Process	Category	Tonnage (Mt)	Grade (%Tcu)	Grade (%Scu)	Grade (g/t Ag)	Contained Cu (kt)	Contained Ag (koz)
Mantos Blancos – Sulphides Flotation - %Tcu	Proven	65.0	0.76	0.09	6.17	494	12,884
	Probable	50.7	0.54	0.08	4.34	274	7,077
	Total Mineral Reserves	**115.7**	**0.66**	**0.09**	**5.37**	**768**	**19,961**
Mantos Blancos – Oxide Dump Leach - %Scu	Proven	2.2	-	0.34	-	8	-
	Probable	2.4	-	0.24	-	6	-
	Total Mineral Reserves	**4.6**	**-**	**0.29**	**-**	**13**	**-**

NOTES

1. **Cautionary statement:** See the cautionary statement in Section 8.10.
2. **Qualified Person:** Carlos Guzman, RM CMC, FAusIMM, an employee of NCL, is the Qualified Person for this estimate.
3. **Reporting basis:** Mineral Reserves are reported at the point of delivery to the process plant, using the 2014 CIM Definition Standards. Mineral Reserves are reported on a 100% basis. The attributable percentage to Mantos Copper Holding SpA is 99.993%.
4. **Effective date:** Mineral Reserves are reported with an effective date of 31 December 2022.
5. **Cut-off grades:** Mineral Reserves are reported at a cut-off of 0.22% Icu for sulphides (Icu = Tcu – Scu) and 0.10% Scu for oxides.
6. **Pricing assumptions:** Mineral Reserves are reported on a 100% basis using average off-site costs (selling cost) of US$0.27/lb for sulphides and US$0.42/lb for oxides.
7. **Costs:** Mineral Reserves are contained within an optimised pit shell. Mining will use conventional open pit methods and equipment and a stockpiling strategy (direct mining costs are estimated at an average of US$1.84/t of material mined). Processing costs average US$9.98/t of milled material, including concentrator, tailings storage facility and port costs. Processing cost for material sent to dump leach is US$1.47/t.
8. **Recovery:** Total copper recoveries average 83.1% for sulphides and silver recoveries average 79.5%. Soluble copper recoveries average 42% for material sent to the dump leach.
9. Inter-ramp angles vary from 36 to 59º. The life-of-mine strip ratio is 4 to 1.
10. Tonnage and contained copper are reported in metric units and grades are reported as percentages. Contained silver is reported in kilograms and grades are reported in grams per tonne.
11. **Grade abbreviations:** %Tcu refers to total copper grade in percentage sent to the mill. Grade %Scu refers to soluble copper grade in percentage sent to the dump leach.
12. **Material contracts:** Through the Osisko Silver Production Agreement, Osisko has the right to buy 100% of the silver production in concentrate (less specified deductions) until reaching 19,300,000 ounces and subsequently 40% paying 92% of the market price
13. **Figures:** All amounts are in USD unless otherwise specified. Summation errors due to rounding. Contained metals are reported at 100%.

(g) **Mining operations**

The Mantos Blancos Mine is a conventional open pit owner-operated mine and plant. It includes one large open pit (Santa Barbara) that provides the majority of the sulphide feed for the concentrator and the oxide feed for the dump leach. Material is also sourced from four oxide leach stockpiles. Higher-grade sulphide material is sent to the plant and lower-grade sulphide material is stockpiled to be processed later in the mine life.

The mine design includes mine design parameters (such as roads, ramps, benches) and mine development based on eight phases (pushbacks). In general, three or four phases are in operation, with a maximum of nine benches per phase per year (reflecting production in previous years). Approximately 52 Mtpa will be moved for the remaining LOM.

The mine production schedule is based upon a 2021 to 2037 production plan, with associated dumps and stockpiles. The fleet requirements (trucks, loaders and other equipment) have been estimated for the LOM.

Other than Santa Barbara, material is also sourced from Sulphide stockpile (Cancha 90) for sulphide processing, and Oxide stockpile (Mercedes Stockpile) for dump leach.

(h) **Processing and metallurgy**

The two metallurgical processes in operation at the Mantos Blancos Mine are the flotation plant (sulphide concentrator), processing sulphide ore with insoluble copper grade (**Icu**) greater than 0.22%, and the dump leach process for oxides with soluble copper grade (**Scu**) greater than 0.10%. This results in saleable products of copper concentrate averaging approximately 30% copper by weight with between 5 – 15 ounces per tonne silver and no penalty elements (very acceptable to smelters) from the sulphide plant as well as LME Grade A copper cathode from the oxide plant. Cathode production will continue until through 2024, treating material from the current oxide operations.

The Mantos Blancos Mine concentrator facility treats 7.3 Mtpa of sulphide ore through two crushing plants, two grinding lines, and a flotation circuit.

The mineralisation at Mantos Blancos Mine has no significant amounts of any deleterious elements that may affect the quality of the concentrate.

The Mantos Blancos Mine process flowsheet is set out in the Mantos Blancos Technical Report.

(i) **Infrastructure, permitting and compliance activities**

Infrastructure

The infrastructure for the Mantos Blancos Mine is fully developed and in service. The main facilities at the Mantos Blancos Mine are: Santa Barbara pit, Argentina North dump, East dump, West dump, concentrator, coarse tailings deposit, fine tailings deposit, Mercedes stockpile, Mercedes dump, secondary leach piles and the SX-EW plant.

Two tailings deposition systems are within the Mantos Blancos Mine property. Fine tailings, thickened to 60% solids (by weight) are currently pumped to the N° 8 Pit tailings dam. Mantos Blancos has conducted conceptual level studies indicating that the fine tailings facility can support the LOM. Coarse tailings, dewatered by filtration/screening to 20% moisture content, are and will continue to be trucked to the existing and expanded dry stacking facility. The coarse tailings deposit will reach a total capacity of approximately 69 Mt at the end of the operation, based on a maximum deposition rate of 5.5 Mtpa of thickened tailings.

There are five waste rock storage facilities: Mercedes Dump, East Dump, North Argentina, Argentina South (West) and Naranja (Phase 8). These will support the waste disposal from all the phases of the Santa Barbara pit. Low-grade oxide material and secondary leach pad facilities will continue to be used for dump leaching.

Electrical energy is provided by Guacolda Energía S.A. and delivered to the Mantos Blancos Mine through a 220 kV power line that is connected to the National Electric System (Sistema Eléctrico Nacional). The contract will expire in December 2034.

The water supply is provided by Ferrocarriles Antofagasta Bolivia (**FCAB**) and Aguas de Antofagasta (**ADASA**). The water is pumped and transported by pipelines from Siloli and Toconce, located approximately 250 km away from the Mantos Blancos Mine in the Andes Mountains.

Permitting

The Mantos Blancos Mine has developed a Master Plan for Sectoral Permits to ensure that the supporting documentation is provided when required to the regulatory authorities so that the permits are obtained and maintained in force. Sectoral permits have been granted covering potable water, sewage and sanitation, landfill, and closure planning.

The MBCDP project was submitted to the Environmental Impact Assessment System through an environmental impact statement (**DIA**) and approved via Exempt Resolution No. 419 dated 2 November 2017 by the Antofagasta Region Evaluation Commission (RCA No. 419/2017). The approval includes the concentrator, tailings management and transportation system, tailings deposits, and waste dumps.

A second approval, RCA 49/2021, covered the DIA for the Modification of Coarse Tailings Transportation and Optimization of the Construction Method of the Wall of the Fine Tailings Deposit Project. This approval granted coarse tailing transport in trucks to the coarse tailings deposit and allows modifications to the last stages of the wall of fine tailings storage deposit (from a conventional waste rock construction to a reinforced earth construction).

Baseline studies were carried out in support of the MBCDP and tailings dam modifications. The Mantos Blancos Mine incorporated mitigation measures including dust suppression and collection and dust control on roads.

Closure Plan

The Mantos Blancos Mine MCP was approved by Chile’s Ministry of Mining, Servicio Nacional de Geología y Minería (**SERNAGEOMIN**) on 4 January 2024 by Exempt Resolution N° 0016/2024. The existing Mantos Blancos Mine, including associated infrastructure and buildings, has an estimated closure and post-closure cost of US$70.9 million on a discounted cash flow basis.

The Mantos Blancos Mine end of life is expected 2046.

Social and community

The Mantos Blancos Mine area of influence includes the city of Antofagasta and the community of Baquedano. The Mantos Blancos Mine does not intervene, use or restrict access to natural resources that could be used as economic sustenance for any human group or for any other traditional use, such as medicinal, spiritual or cultural use. There are no indigenous communities or indigenous human groups in the vicinity, nor does it affect the exercise or manifestation of traditions, culture or community interests.

(j) Royalty agreement, streaming arrangement and offtake agreements

Royalty agreements

In connection with the financing of the MMCD, Mantos Copper S.A entered into a royalty agreement with Southern Cross Royalties Limited (**Southern Cross**) in August 2019. Southern Cross has a 1.525% NSR royalty on copper production, to be paid quarterly. The agreement has an initial term up to 1 January 2035 and can be extended at Southern Cross' discretion for the duration of mining rights and is subject to the Company's option to buy back and reduce the royalty amount by 50% at any time after 1 January 2023, subject to the payment of a buy-back fee and the satisfaction of certain conditions.

Streaming arrangement

Mantos Copper S.A. entered into a silver stream agreement with Osisko Gold Royalties (**Osisko**) linked to production of its copper operations. The initial arrangement dates from September 2015, at which time a subsidiary of the Company received an upfront payment of US$82 million. In connection with the MBCDP, the agreement with Osisko was updated in August 2019 for an additional upfront amount of US$25 million from Osisko. In return for the upfront payments, Osisko received the right to purchase an amount of refined silver equivalent to the number of ounces of silver delivered under concentrate offtake contracts less specified deduction until 19.3 million ounces of silver have been delivered under the agreement and therefore an amount equal to 40% of the number of ounces of silver delivered under concentrate offtakes less specific deductions. Osisko is obliged to pay in cash 8% of the market price of the silver upon each delivery and to give credit against the prepayment of 92% of the market price upon each delivery until such time as the upfront payment, as indicated, is reduced to zero. The initial term of the arrangement is 40 years and automatically renews thereafter for successive 19-year periods.

Offtake agreements

Anglo American is required to buy all of the copper cathode up to an aggregate 275 kt from The Mantos Blancos Mine and The Mantoverde Mine, based on the monthly average LME copper price. This is expected to occur by 31 December 2025, with the agreement able to be extended to 31 December 2027 subject to a 20% increase in cathodes delivered.

Glencore International AG and Complejo Metalurgico Altonorte S.A. (**Glencore Buyers**) are required to purchase 75% of Mantos Blancos' annual production of copper concentrates, subject to a minimum of 900 kt over the term of the agreement. The agreement is for a seven-year term which may extend until the minimum quantity is delivered. Glencore Buyers are required to pay for any silver content in excess of 30g/t. Prices are based on average monthly LME copper price, adjusted for content percentages, and London Bullion Market Association (**LBMA**) silver price.

The key terms of these agreements are outlined in further detail in Sections 7.2, 7.3 and 7.4.

(k) **Health, safety and environment**

Mantos Blancos Mine recorded six lost time incidents and nil fatalities over the last three years. Mantos Blanco's TRIFR for 2022 is 0.19 based on 200,000 work hours.

Mantos Blancos Mine's reportable environmental incident in 2022 related to an incident when a ruptured pipe resulted in the release of approximately 200,000 litres of pregnant leach solution.

(l) **Workforce**

The Antofagasta Region has a long history of mining activity, hence many mining suppliers and contractors are locally available. Most of the Mantos Blancos Mine workforce lives in Antofagasta or Baquedano. Overall, Capstone has been successful in recruiting and retaining experienced staff with good mining skills, despite the often tight labour markets experienced industry wide. The Capstone activities also bring local employment opportunities to people from the surrounding communities. There is no on-site accommodation as all staff live off-site.

The process plant and mine facilities operate on a 24-hour, seven day a week schedule, with four crews rotating in two 12-hour shifts, providing an appropriate balance between work and rest time. Most maintenance personnel work day-shift only, with a small breakdown crew on the night shift to provide 24 hour coverage. Middle and senior management have a schedule of four days on and three days off. The Mantos Blancos Mine is supported by the local communities.

The Mantos Blancos Mine currently employs approximately 1,500 personnel, with central support provided from Capstone's head office in Vancouver.

(m) **Tenements**

The Mantos Blancos Mine property includes 116 mining properties covering an area of 18,818 ha and 82 exploration rights claims totalling 38,800 ha. Further information on tenure can be found in section 4 of the Mantos Blancos Technical Report.

(n) **Fiscal regime**

The Mantos Blancos mine is subject to First Category, or corporate income taxes, at a rate of 27% which is applied on taxable net income. In years that Mantos Blancos incurs a loss for taxation purposes, an indefinite carry-forward of those losses is allowed and can be adjusted by a cost-of-living increase.

In August 2023, Chile passed the Mining Royalty into law, taking effect on 1 January 2024, replacing the prior "Specific Tax on Mining Activity".

The Mining Royalty contemplates two components: a 1% ad-valorem component on net copper revenues and a mine operating margin (**MOM**) component ranging from 8% to 26%.

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

(o) **2023 performance**

2023 production of 49.5 thousand tonnes, composed of 38.0 thousand tonnes from sulphide operations and 11.5 thousand tonnes of cathode from oxide operations, was 20% higher than 2022 due to a fully operational Q1 2023 compared to a nine-day stub period in Q1 2022.

Comparing like-for-like periods, Q2 2023 through Q4 2023 production was 35.4 thousand tonnes, composed of 27.2 thousand tonnes from sulphide operations and 8.2 thousand tonnes of cathode from oxide operations, which was 12% lower than the same period last year due to 3.7 thousand tonnes less oxide production primarily driven by lower dump throughput, grade and recoveries impacting cathode production. The lower sulphide production was impacted by mill downtime caused by unplanned repair and maintenance of a mill lubrication system, restricted throughputs caused by tailings dewatering challenges due to presence of clays in the top benches of Phase 20, and other challenges related to the integration of pre-existing and new equipment and planned repair and maintenance of the concentrator plant that lasted six days (liners and major components change) in Q2 2023.

Combined 2023 C1 Cash Costs of US$2.83/lb (US$2.74/lb sulphides and US$3.11/lb cathodes) were 11% higher compared to US$2.54/lb in 2022 mainly due to lower production partially offset by lower acid prices.

2.4.4 Overview of Mantoverde Mine (Atacama, Chile)

(a) **Project overview**

Mantoverde Mine is an open-pit copper mine located in the province of Chañaral, Atacama Region, 56 km southeast of the city of Chañaral and 100 km north of the city of Copiapó, at an altitude of approximately 900 meters above sea level (**MASL**). The Mantoverde property is 70% owned by Capstone Copper and 30% owned by Mitsubishi Materials Corporation (**Mitsubishi**) who have proportional offtake rights to copper production. In 2022, the Mantoverde Mine produced 36 kt of copper cathode (100% basis).

The Mantoverde Mine is currently comprised of four pits situated along the Mantoverde fault, each of which contains both sulphide and oxide ores. The Mantoverde Mine currently operates only heap and dump ROM leaching and conventional SX-EW to treat oxide ores, producing 45 to 50 ktpa of high-purity LME Grade A copper cathodes.

Capstone recently completed construction of the brownfields Mantoverde Development Project (**MVDP**) sulphide expansion at the previously oxide-only operations. The MVDP added a 12.3 Mtpa sulphide concentrator and TSF, and expanded the existing desalination plant. The MVDP is expected to enable the mine to process 231 Mt of copper sulphide reserves over a 20-year expected mine life, in addition to existing oxide reserves.

Upon completion of commissioning activities underway in 2024, the Company expects the MVDP to increase production from 36.3 ktpa copper (cathodes only) in 2023 to approximately 110 – 120 ktpa copper (copper concentrate and cathodes) post project completion. In parallel, C1 Cash Costs are expected to decrease from a range of US$3.70/lb - US$3.80/lb in the full year guidance for 2023 to blended costs of <US$2.00/lb after project completion and ramp up. The MVDP is progressing well at approximately 88% complete and remains on track to achieve nameplate operating rates

during the third quarter of 2024. The first ore was sent to the primary crusher in December 2023, with the first ore to the grinding circuit planned for the first quarter of 2024 and the first saleable concentrate expected during the second quarter of 2024.

Capstone is also assessing the next expansion of the sulphide concentrator at Mantoverde (**MVDP Optimised**), having identified major components of the comminution and flotation circuits capable of sustaining average annual throughput of 14.6 to 16.4 Mtpa. If successful, a Mantoverde Phase II (**MVDP Phase II**) study will evaluate the addition of an entire second processing line, to process some of the 77% of Mineral Resources not utilised by the optimised MVDP.

Figure 4: Mantoverde Mine site aerial overview

(b) **Mantoverde Technical Report**

The Mantoverde Mine is the subject of a report titled "Mantoverde Mine and Mantoverde Development Project NI 43-101 Technical Report Chañaral / Región de Atacama, Chile" filed 5 January 2022 with an effective date of 29 November 2021 (the **Mantoverde Technical Report**), prepared in accordance with NI 43-101.

The description of the Mantoverde Mine in the Prospectus is based on assumptions, qualifications and procedures which are set out in the Mantoverde Technical Report. For further information, refer to the full text of the Mantoverde Technical Report, which is available under Capstone's profile on SEDAR+ at www.sedar.plus.ca or on Capstone's Website.

(c) **History**

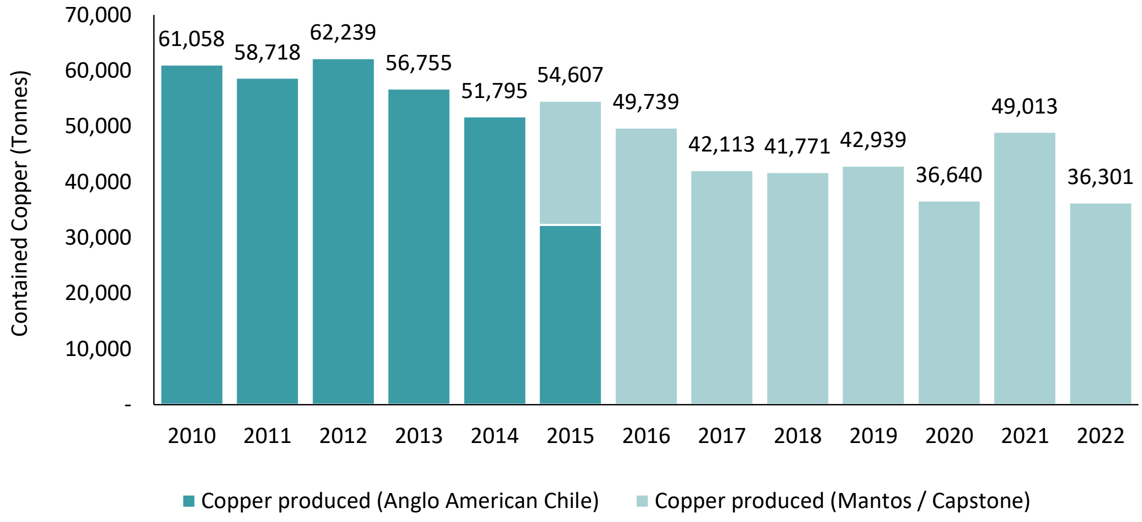
Prior to mine development, exploration activity was completed by the Anaconda Mining Company, Empresa Nacional de Minería (**ENAMI**), Sociedad Minera Pudahuel, Empresa Minera Mantos Blancos S.A., and Anglo American.

Open pit mining operations commenced in 1995, with oxide material treated through an SX-EW plant. Mantos Copper, owned by Audley Mining Advisors Ltd. And Orion Mine Finance LLP, acquired the Mantoverde Mine in 2015 from Anglo American and subsequently became Capstone Copper through the 2022 merger of Mantos Copper with Capstone Mining.

(d) Historical production data

Production for the period August 2015 to 2022 whereby the Mantoverde Mine is under Capstone's ownership is presented. Copper production at the Mantoverde Mine has averaged 44 ktpa under Capstone's ownership, together with 5 years under Anglo American ownership.

Figure 5: Mantoverde Mine Production Summary since 2010 (100% basis)



Refer to Section 2.4.4(o) for 2023 production information.

(e) Geology and exploration

The Mantoverde Mine deposit is a typical iron oxide–copper–gold (**IOCG**) deposit located within the Atacama Fault System. It is located in an ancient mining district with numerous iron, iron-copper-gold, gold and manganese deposits in the southern sector of the Atacama Fault System within the Cretaceous iron belt. Copper mineralisation is oxidised down to approximately 200m in depth and two types of oxidised copper ores are recognised. The breccias in the sloping fault block contain abundant haematite with brochantite, minor antlerite, chrysocolla, malachite and atacamite, which occur in veinlets, patches and disseminated in the specularite matrix.

The Mantoverde Mine has a history of Mineral Reserves and Mineral Resources growth through successful exploration. The current Mineral Resource is open at depth in multiple locations along the main Mantoverde, Santa Clara and Montecristo faults. Future drilling programs will focus on deeper high-grade zones and on sulphide areas in the northern portion of the deposit in the underexplored Santa Clara Corridor, which has potential to expand the current Mineral Resource and support conversion into Mineral Reserves.

The Mantoverde Mine also has significant potential to develop a larger mining district. Several oxide and sulphide near-mine resource expansion opportunities exist within Mantoverde's 23 km land package along the Atacama Fault System. District targets identified to date include the Las Animas, Paloma, Las Juntas, San Manuel and Santa Clara targets, north of the current pit design.

Drilling at the Mantoverde Mine has been completed in support of exploration evaluations, Mineral Resource and Mineral Reserve estimates, mine planning, and geotechnical, and metallurgical evaluations. Drilling includes RC, and diamond core methods. Drilling completed from 1989 – 2022 includes 875 core holes (247,974 meters), and 3,649 RC holes (653,069 meters) for a total of 4,524 drill holes and 901,043 metres drilled.

(f) Mineral Resource and Mineral Reserve estimates

Table 5: Mantoverde Mine Mineral Resources as at 31 December 2022

	Category	Tonnage (Mt) (4)	Grade %Tcu (2)	Grade g/t Au (2)	Contained Cu (5) (kt)	Contained Au (5) (koz)
Mantoverde Sulphides (Flotation) (1) (3)	Measured	186.3	0.57	0.10	1,062	599
	Indicated	341.3	0.41	0.10	1,403	1,099
	Total Measured & Indicated	**527.6**	**0.47**	**0.10**	**2,465**	**1,698**
	Total Inferred	588.9	0.37	0.08	2,179	1,515
Mantoverde Mixed (Flotation) (1) (3)	Measured	38.9	0.50	0.09	195	113
	Indicated	33.0	0.38	0.09	124	96
	Total Measured & Indicated	**71.9**	**0.44**	**0.09**	**319**	**209**
	Total Inferred	16.5	0.30	0.06	50	32

	Category	Tonnage (Mt) (6)	Grade %Scu (3)	Contained Cu (7) (kt)
Mantoverde Oxides+Mixed (Heap Leach) (2) (3) (4) (5)	Measured	138.3	0.29	401
	Indicated	93.3	0.26	243
	Total Measured & Indicated	**231.7**	**0.28**	**644**
	Total Inferred	18.0	0.22	40
Mantoverde Oxides+Mixed (Dump Leach) (2) (3) (4) (5)	Measured	118.3	0.13	154
	Indicated	126.6	0.13	165
	Total Measured & Indicated	**244.9**	**0.13**	**319**
	Total Inferred	52.7	0.13	69

NOTES

1. **Cautionary statement:** See the cautionary statement in Section 8.10.
2. **Qualified Person:** Ronald Turner, MAusIMM (CP), a WSP employee, is the Qualified Person for the estimate.
3. **Reporting basis**: Mineral Resources are reported insitu, using the 2014 CIM Definition Standards. Mineral Resources are reported on a 100% basis. The attributable percentage to Mantos Copper Holding SpA is 99.993%.
4. **Effective date**: Mineral Resources are reported with an effective date of 31 December 2022, inclusive of Mineral Reserves.
5. **Economic viability**: Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
6. **Cut-off grade:** Mineral Resources are reported at:
   a. Dump Leach: Oxide: 0.10%≤Scu<0.17% and mine=1, Mixed: 0.10%≤Scu<0.17% and Scu/Tcu >50% and mine=2.
   b. Heap Leach: Oxide: Scu≥0.17% and mine=1, Mixed: Scu≥0.17% and Scu/Tcu >50% and mine=2.
   c. Flotation: Sulphide: Tcu ≥0.20% and mine=3, Mixed: Tcu ≥0.22% and Scu/Tcu ≤50% and mine=2.
7. **Pricing assumptions:** The Mineral Resource pit is based on US$3.75/lb Cu.
8. Tonnes are reported on a dry basis.
9. **Contained Metal (CM):** is calculated using the following formulae:
   a. CM(kt) = Tonnage (Mt) * Tcu (%) * 0.01 for Sulphides.
   b. CM(kt) = Tonnage (Mt) * Scu (%) * 0.01 for Oxides
   c. CM(koz) = Tonnage (Mt) * g/t Au/31.1035 for Sulphides and Mixed.
10. **Recovery:** Flotation recovery is based on a geometallurgical model, 90.84%Tcu and 67.87% Au average for Sulphides and 73.24% Tcu and 61.73% Au average for Mixed. Heap Leach recovery is 79.2% average. Dump recovery is based on operating data 39.4%Scu.
11. **Costs:** Direct mining costs average US$1.69/t of material mined; processing costs are based on a formula for each block depending on whether the material is sent to the heap or dump. The general and administration (G&A) cost is US$1.4/t milled. Concentrates are assumed to incur a selling cost of US$0.2756, and cathodes a selling cost of US$0.047. Pit slope inter-ramp angles vary from 26˚ to 60º.
12. **Figures:** All amounts are in USD unless otherwise specified. Summation errors due to rounding. Contained metals are reported at 100%.
13. **Grade abbreviations**: Tcu refers to total copper and Scu refers to soluble copper.

Table 6: Mantoverde Mine Mineral Reserves Statement as at 31 December 2022

	Category	Tonnage (Mt)	Grade (%Tcu)	Grade (g/t Au)	Contained Cu (kt)	Contained Au (koz)
MVDP Sulphide + Sulphide Mix (Flotation)	Proven	172.2	0.62	0.11	1,067	609
	Probable	64.1	0.51	0.11	327	227
	Total Reserves	**236.3**	**0.59**	0.11	**1,394**	**836**
	Category	**Tonnage (Mt)**	**Grade (%Scu)**	**Grade (g/t Au)**	**Contained Cu (kt)**	**Contained Au (koz)**
MVDP Oxide (Heap + Dump Leach)	Proven	162.0	0.23	-	374	-
	Probable	59.1	0.20	-	118	-
	Total Reserves	**221.1**	**0.22**	**-**	492	**-**

NOTES
1. **Cautionary statement:** See the cautionary statement in Section 8.10.
2. **Qualified Person:** Carlos Guzman, RM CMC, FAusIMM, an employee of NCL, is the Qualified Person for this estimate.
3. **Reporting basis:** Mineral Reserves are reported at the point of delivery to the process plant, using the 2014 CIM Definition Standards. Mineral Reserves are reported on a 100% basis. The attributable percentage to Mantos Copper Holding SpA is 99.993%.
4. **Effective date:** Mineral Reserves are reported with an effective date of 31 December 2022.
5. **Cut-off grades:** Mineral Reserves reported above the following cut-offs: 0.10Scu% (Oxide); and 0.23%Tcu cut-off (Sulphide); 0.23%Tcu and Scu/Tcu <0.5 (Mixed Sulphide); 0.10% Scu and Scu/Tcu >0.5 (Oxides Mixed).
6. **Costs:** Mineral Reserves are reported using average off-site costs (selling cost) of US$0.28/lb for sulphides and US$0.30/lb for oxides. The attributable percentage to Capstone is 69.993%. Mineral Reserves are contained within an optimised pit shell design. Mining will use conventional open pit methods and equipment and use a stockpiling strategy (direct mining costs are estimated by geological unit, averaging US$1.85/t of material mined). Processing costs were estimated by geometallurgical units (from UG1 to UG10) averaging US$7.28/t of milled material, including concentrator, tailings storage facility, port and desalination costs. Processing cost for material sent to the heap leach was US$6.28/t. For material sent to the run-of-mine dump leach, the processing cost was US$2.12/t.
7. **Recovery:** Copper recoveries average 88.4% for sulphides and mixed, and gold recoveries average 71.2%. Soluble copper recoveries average 75.0% for material sent to the heap leach and 42.5% for material sent to the dump leach process.
8. Inter-ramp angles vary from 26˚ to 60º. The life-of-mine strip ratio is 2.12 to 1.
9. **Contained Metal:** Tonnage and contained copper are reported in metric units and grades are reported as percentages. Contained gold is reported in troy-ounces and grades in grams per tonne.
10. **Figures:** All amounts are in USD unless otherwise specified. Totals may not tally due to rounding. Contained metals are reported at 100%.
11. **Grade abbreviations:** Grade %Tcu refers to total copper grade in percent sent to the mill. Grade %Scu refers to soluble copper grade in percent sent to the leaching processes.

(g) Mining operations

The Mantoverde Mine is a conventional open pit owner-operated mine and plant. The mine plan is focused on two main areas, Celso–Manto Ruso and Mantoverde. Higher-grade material is sent to the plant and lower-grade material is stockpiled which will be processed later in the mine life.

The MVDP mill throughput assumption is based on hardness variability, resulting in an average throughput of 12.4 Mtpa of sulphide from 2023 to 2042. The mine plan assumes that oxide minerals will continue to be processed using additional oxide material available from the sulphide pits until 2036. Treatment in the heap leach process will reach 10.9 Mt in 2025; the dump leach process will have an annual treatment rate of 15.0 Mtpa.

The mine design includes mine design parameters (such as roads, ramps, benches) and mine development based on 19 designed phases (pushbacks). A maximum of 11 phases must be kept in operation at any one time to meet the mine plan requirements.

Estimates of the equipment fleet are based on the material movement scheduled in the mine plan and the criteria used for the operating schedule.

(h) Processing and metallurgy

The current process plant at the Mantoverde Mine consists of a three-stage crushing plant, a heap leach facility, a dump leach facility and a SX-EW plant. The Mantoverde Mine has a plant production capacity of 60 ktpa of copper cathodes. Current production ranges between 45ktpa and 50ktpa. The existing oxide process is a conventional heap leach operation producing LME Grade A quality cathode. The proposed sulphide process as part of the MVDP will be a conventional sulphide concentrator plant, designed to process 11.6 Mtpa of sulphide feed, producing copper concentrate. Further detail on the MVDP is in Section 2.4.4(a).

There is a long history of metallurgical testwork at the Mantoverde Mine supporting SX-EW plant designs and ongoing operations. This work is validated by the plant operational data and production to date. The testwork data indicate that the Mantoverde Mine concentrate will be clean and free of deleterious elements. No significant quantities of deleterious elements have been identified to date.

Cobalt has been identified in the Mantoverde Mine oxide and sulphide mineralisation and has been reported in the flotation tailings. More detailed evaluations to allow cobalt to be included in the LOM process operations are warranted.

The current Mantoverde Mine oxide process flowsheet, and the proposed MVDP process flowsheet, are set out in the Mantoverde Technical Report.

(i) Infrastructure, permitting and compliance activities

Infrastructure

The mine is currently in operation. Infrastructure constructed on site includes the process plant, roads, mine services area, open pit, ore stockpiles, waste rock storage facilities, water pipelines, and power transmission lines. The mine is supported by an off-site desalination plant and port facilities.

The MVDP is a brownfield expansion located in an area where the expansion of existing facilities is not considered to present any major design challenges. A new TSF is planned in the MVDP. Tailings will be thickened to 55% solids prior to deposition and transported ~3.5 km from the plant to the TSF on the south side of Quebrada Guamanga. The dam will be a conventional type with thickened tailings and a maximum storage capacity of 230 Mt.

Power is supplied to site from the Diego de Almagro substation via a 110 kV transmission line. A new substation will be required on site adjacent to the existing 110 kV Mantoverde Mine substation, which will provide power to the comminution, flotation and regrind circuits, truck shop, fresh water supply and mine operations.

Fresh water will be supplied from the expanded Capstone-owned desalination plant located in the Bahía Flamenco area, 40 km from the mine site. The water desalination plant will be expanded from the current capacity of 120 litres per second to 380 litres per second. An expanded dump leach process is planned for low-grade oxide material as part of the updated mine plan. Existing facilities and processes will be used.

Reclaimed water from the TSF will provide some of the process water supply. Reclaimed water from the TSF will be pumped to the recovered water distribution tank and from the tank will flow by gravity to the tailings cyclone station or to the concentrator.

The potable water plant will consist of a packaged reverse osmosis system that will provide drinking quality water for the concentrator and camps.

Permitting

Chilean mining projects require sectoral and environmental permits prior to mine construction and operation. Development of the MVDP will require additional sectoral and environmental permits to those already granted for the operating mine.

Mantoverde has developed a Master Plan for Sectoral Permits to ensure that the supporting documentation is provided when required to the regulatory authorities so that the permits are applied for, granted and maintained in force. The sectoral permits already granted cover potable water, sewage and sanitation, landfill and closure planning. Specific sectoral permits have also been granted for open pit mining activities.

Closure Plan

The Mantoverde Mine closure plan was approved by SERNAGEOMIN on 9 August 2022 by Exempt Resolution N° 1384/2022. The estimated closure and post-closure cost for the Mantoverde Mine, including associated infrastructure and buildings, is US$54.4 million on a discounted cash flow basis.

The Mantoverde Mine end of life is expected 2039.

Social and community

The closest village is El Salado, in the Commune of Chañaral, 15 km from the mine site. Other villages of interest are located on the coast and include Barquitos, Flamenco, Portofino, Las Piscinas and Torre del Inca. Main town is Chañaral, located around 45 km from the site. These settlements are located on common use roads and near the desalination plant and pumping system. No indigenous peoples recognised in Law No. 19,253 or Indigenous Law were identified in these communities. Significant impacts on the populations in these communities were ruled out in the MVDP EIA evaluation.

(j) **Royalty and offtake agreements**

Royalty agreements

No royalties are payable on the Mantoverde Mine operation, and no other royalties or encumbrances are currently known (other than the requirement to pay the Chilean Mining Royalty (refer to Section 2.4.3(n))).

Offtake agreements

As outlined in Section 2.4.3(j), Anglo American is required to buy all the copper cathodes up to an aggregate 275 kt from the Mantos Blancos Mine and the Mantoverde Mine. This is expected to occur by 31 December 2025, with the agreement able to be extended to 31 December 2027 subject to a 20% increase in cathodes delivered.

Boliden Commercial agrees to purchase 75 ktpa of copper concentrates for 10 years of commercial production of MVDP. The agreement can be extended if a minimum of 75 kt has not been delivered.

Mitsubishi agreed to purchase 30% of annual copper production at the Mantoverde Mine, for the duration of the commercial mine life. Volume may increase if Mitsubishi's equity interest in the Mantoverde Mine increases. An additional amount of 20 – 30 ktpa will be sold depending on the drawn amount of the cost over-run facility provided by Mitsubishi.

The price for all agreements is based on the monthly average price of copper on the LME. Boliden and Mitsubishi gold by-product prices are based on the LBMA prices.

The key terms of these agreements are outlined in further detail in Section 7.

Copper cathodes will continue to be shipped to Antofagasta. Copper concentrate will be shipped through Chañaral to the north and Caldera to the south.

(k) Health, safety and environment

Mantoverde Mine recorded 7 lost time incidents and nil fatalities over the last three years. Mantoverde Mine's TRIFR for 2022 is 0.16 based on 200,000 work hours.

Mantoverde Mine has one reportable environmental incident in 2022, related to the capture and death of a fox within the MVDP project site.

An EIA for the MVDP was approved by the Chilean environmental authority by Exempt Resolution N°16/2018 issued by the Atacama Region Evaluation Commission. The RCA covered the combined sulphide and oxide mining and processing plan up to 2034 and the sulphide mining and processing up to 2042. Baseline studies for the MVDP EIA were carried out during 2015 and 2016. Complementary baselines studies have been submitted in support of the 2018 and 2020 DIAs. Continuous monitoring of air quality, underground water and biodiversity are conducted on the site.

(l) Workforce

The closest settlement is El Salado, ~15 km to the north of the mine. The communities of Chañaral, Diego de Almagro and Flamenco are located in the province of Chañaral, Atacama Region, and are within the mine area of influence. The closest major population centre is Copiapó which provides services for a number of large mining operations in the area.

The Mantoverde Mine currently employs approximately 4,800 personnel at the mine (including contractors associated with MVDP), with central support provided from Capstone's head office in Vancouver.

(m) Tenements

The Mantoverde Mine property includes 303 exploitation concessions covering 38,654 hectares and three exploration mining concessions (in progress) covering 600 hectares, giving a total area for the property of 39,099 hectares in 306 concessions. Concessions are in good standing until March 2024.

The Mantoverde Mine currently holds approximately 4,291 hectares of surface rights, which support the mining operations, existing state-of-the-art desalination plant and associated pipelines and power transmission lines. An additional 1,221 hectares of surface rights are expected to be needed to support the sulphide operations in connection with the MVDP; they have been provisionally granted by the Chilean courts. The final documentation is expected to be provided during 2023. Further information on tenure can be found in section 4 of the Mantoverde Technical Report.

(n) **Fiscal regime**

Refer to Section 2.4.3(n) for an overview of the Mining Royalty, which applies to production from the Mantoverde Mine.

(o) **2023 performance**

2023 production of 35.4 thousand tonnes was lower than the same period last year, despite a fully operational Q1 2023 compared to nine-day stub period in Q1 2022, due to lower heap grades as a result of mine sequence (0.34% YTD 2023 versus 0.45% YTD 2022) and lower recoveries due to lower solubility ratio of the processed mineral and lower grades.

2023 C1 Cash Costs were US$3.83/lb, 6% higher than US$3.63/lb in 2022, mainly related to lower production which was partially offset by lower key consumable prices.

2.4.5 Overview of Santo Domingo Project (Atacama, Chile)

(a) **Project overview**

The 100% Capstone owned Santo Domingo Project is a fully-permitted copper-iron project located near the town of Diego de Almagro in the Atacama region in Chile, ~35 km northeast of Capstone's Mantoverde Mine (~65km by road) and 130 km north-northeast of the city of Copiapó.

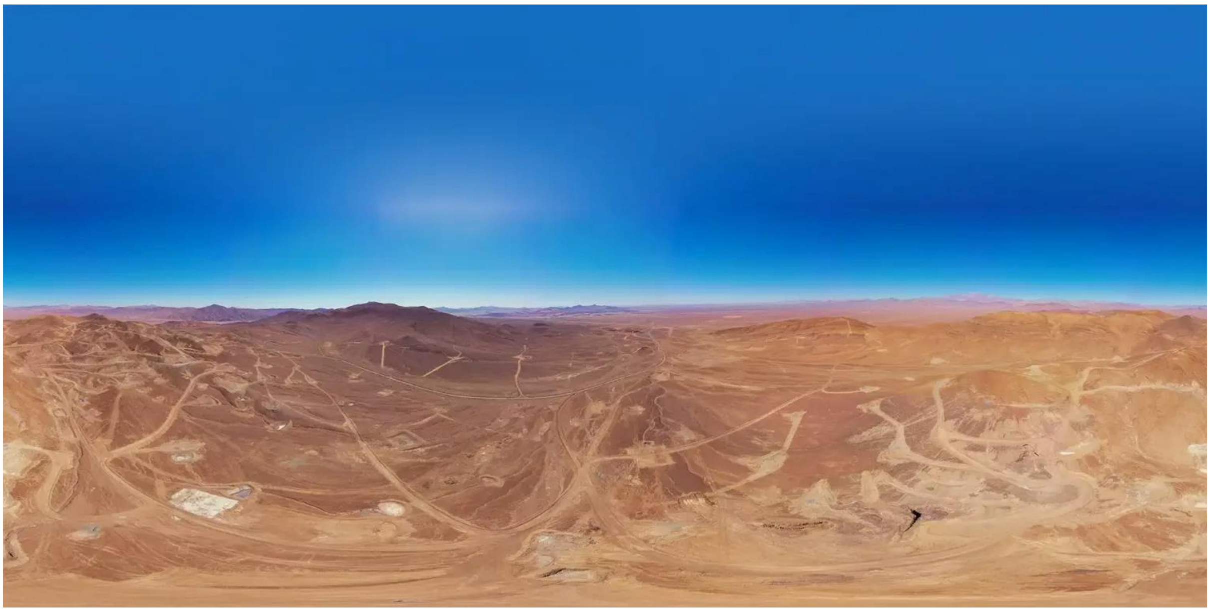
The Santo Domingo Project has all required construction and start-up permits, including final approval of the Santo Domingo Project MCP in 2019. An updated Feasibility Study on Santo Domingo is expected to be released in the first half of 2024, followed by detailed engineering, partner process, and project financing prior to a construction decision.

Once in production, Santo Domingo is expected to average ~120ktpa of copper production over the first 5 years of the most recent LOM plan. The updated Feasibility Study will include recently produced metallurgical testwork data and an optimised LOM plan. Project debottlenecking activities have continued to maintain Santo Domingo's "shovel ready" status by advancing permitting and formalising agreements with third parties.

The planned 2024 Feasibility Study will incorporate some of the synergies identified by Capstone in the Mantoverde-Santo Domingo District Integration Plan (**MV-SD**) announced in November 2022. This plan aims to unlock US$80-100 million per annum in operating cost synergies through utilising shared infrastructure with the Mantoverde Mine, enabling additional copper and cobalt production at both projects and the potential for significant tax synergies.

Capstone is focused on creating a world-class mining district in the Atacama region of Chile, targeting >200ktpa (across the consolidated Mantoverde Mine and the Santo Domingo Project) of low-cost copper production with the potential to also become one of the largest and lowest cost battery grade cobalt producers in the world outside of China and the Democratic Republic of the Congo.

Figure 6: Santo Domingo Project Site Wide Overview



(b) **Santo Domingo Technical Report**

The Santo Domingo Project is the subject of a report titled "Santo Domingo Project, Region III, Chile, NI 43-101 Technical Report" effective 19 February 2020 (the **Santo Domingo Technical Report**), prepared in accordance with NI 43-101.

The description of the Santo Domingo Project in this Prospectus is based on assumptions, qualifications and procedures which are set out in the Santo Domingo Technical Report. For further information, refer to the full text of the Santo Domingo Technical Report, which is available under Capstone's profile on SEDAR+ at www.sedarplus.ca or on Capstone's Website.

(c) **History**

Modern exploration at the Santo Domingo Project was conducted between 2002 and 2011 by Far West Mining Ltd. (**Far West**) including a regional airborne geophysical survey, geological mapping, surface and drainage sampling, an induced polarisation (**IP**) survey, diamond core and RC drilling and resource estimation. A preliminary economic assessment (**PEA**) was conducted in 2008 by Far West.

Capstone acquired the Santo Domingo Project from Far West in 2011 and completed a Prefeasibility Study in the same year. In 2014 a Feasibility Study was completed and in July 2015, the Environmental Impact Assessment (**EIA**), including the mine, infrastructure, process facilities, development of a greenfields port and concentrate and water supply pipelines was approved by the Chilean authorities.

Capstone drilled 14 twinned diamond holes for a total of 3,206 meters, during 2014 and early 2015. The purpose of this drilling was to confirm previous drilling and to collect metallurgical samples. Updates to the 2014 feasibility study were completed in 2018, resulting in the 2019 Santo Domingo Technical Report.

A PEA was undertaken in 2019–2020 for an alternative development option that includes a cobalt recovery circuit.

(d) **Historical production data**

Artisanal mining activities commenced in the general mine and plant site area of the Santo Domingo Project during the early 19th century. The major commodities targeted were gold and iron. As a result, there are a significant number of small workings and pits throughout the planned mine–plant site area. However, most of the surface workings are typical of artisanal activities, being less than a few tens of metres in length. No formal large-scale mining has been conducted on the Santo Domingo Project mining concessions in modern times.

(e) **Geology and exploration**

The Santo Domingo Project's geological setting is the Cretaceous Iron Belt (**CIB**) of the Atacama fault zone, a ductile/brittle sinistral strike-slip and dip-slip crustal scale structure that parallels the coast of Chile for over 1,200 km. The CIB is a segment of the Atacama fault zone approximately 630 km by 40 km in dimension that hosts IOCG and iron-apatite type deposits. The Santo Domingo deposits lie on the east side of the Atacama fault complex, which, in this area, consists of numerous clusters of generally north–south structural breaks in a belt approximately 30 km wide.

Much of the exploration work in the Santo Domingo Project area was conducted by Far West. The Santo Domingo Project has been explored in the past for large tonnage potential as a primary consideration, with no exploration targeting small lenses of mineralisation in the 1 – 5 Mt range. Copper oxide mineralisation is known to exist on the property but has also not been targeted specifically. Additional potential exists for iron dominated mineralisation with lesser potential for copper, which to date is considered uneconomic at the Santo Domingo Project, but has potential once an operation is built in the Santo Domingo Project area.

Between July 2003 and December 2021, a total of 661 diamond core and RC holes (161,460 m) were drilled over the Santo Domingo Project area. Drilling that supports the Mineral Resource estimate or was used in support of the construction of the geological models comprises 464 holes (120,168 m).

(f) Mineral Resource and Mineral Reserve estimates

Table 7: Santo Domingo Project Mineral Resources as at 31 December 2022

Deposit	Tonnes (Mt)	Cu-eq (%)	Cu (%)	Au (g/t)	Fe (%)	S (%)	Co (ppm)
Total Measured Resources	**66.0**	**0.81**	**0.61**	**0.081**	**30.9**	**2.3**	**254**
Santo Domingo Sur	64.2	0.82	0.62	0.082	31.1	2.4	254
Iris	1.8	0.42	0.39	0.047	23.6	1.4	250
Total Indicated Resources	**470.6**	**0.48**	**0.26**	**0.034**	**25.0**	**1.9**	**225**
Santo Domingo Sur	223.7	0.54	0.31	0.043	26.6	2.4	275
Iris	103.3	0.45	0.19	0.027	25.9	1.3	166
Iris Norte	88.7	0.44	0.12	0.014	26.7	2.6	231
Estrellita	54.9	0.40	0.38	0.039	13.7	0	125
Total Measured & Indicated	**536.5**	**0.52**	**0.30**	**0.039**	**25.7**	**2.0**	**229**
Total Inferred Resources	**47.9**	**0.41**	**0.19**	**0.025**	**23.6**	**2.2**	**197**
Santo Domingo Sur	23.9	0.40	0.22	0.033	22.8	2.5	195
Iris	4.4	0.42	0.19	0.024	26.6	0.7	125
Iris Norte	14.4	0.45	0.09	0.009	28.1	2.8	256
Estrellita	5.2	0.32	0.31	0.030	12.3	0	108

NOTES

1. **Cautionary statement:** See the cautionary statement in Section 8.10.
2. **Qualified Persons:** David Rennie, P. Eng., is the Qualified Person for this estimate.
3. **Reporting basis:** Mineral Resources are reported insitu, according the 2014 CIM Definition Standards. Mineral Resources are reported inclusive of Mineral Reserves.
4. **Effective date:** Mineral Resources for the Santo Domingo Sur, Iris, Iris Norte and Estrellita deposits have an effective date of 13 February 2020.
5. **Economic viability:** Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
6. **Cut-off grade:** Mineral Resources for the Santo Domingo Sur, Iris, Iris Norte and Estrellita deposits are reported using a cut-off grade of 0.125% copper equivalent (Cu-eq). Cu-eq grades are calculated using average long-term prices of US$3.50/lb) Cu, US$1,300/oz Au and US$99/(dmt) Fe conc.
7. The Cu-eq equation is: % Cu Equivalent = (Cu Metal Value + Au Metal Value + Fe Metal Value) / (Cu Metal Value per percent Cu). The general equation for metal value is: Metal Value = Grade * Cm * R * (Price – TCRC – Freight) * (100 – Royalty) / 100, where Cm is a constant to convert the grade of metal to metal price units, R is metallurgical recovery, and TCRC is smelter treatment charges and penalties. Only copper, gold and iron were recognised in the Cu-eq calculation; cobalt and sulphur were excluded.
8. Mineral Resources are constrained by preliminary pit shells derived using a LG algorithm and the following assumptions: pit slopes averaging 45º; mining cost of US$1.90/t, processing cost of US$7.27/t (including G&A cost); processing recovery of 89% copper and 79% gold, iron recoveries are calculated based on magnetic susceptibility; and metal prices of US$3.50/lb Cu, US$1,300/oz Au and US$99/dmt Fe concentrate.
9. **Figures:** Totals may not tally due to rounding. All amounts are in USD unless otherwise specified. Contained metals are reported at 100%.
10. **Measurements:** Tonnage measurements are in metric units. Copper, iron and sulphur are reported as percentages, gold as grams per tonne and cobalt as parts per million.

Table 8: Santo Domingo Project Mineral Reserves as at 31 December 2022

Stage	Tonnes (Mt)	Grade Cu (%)	Grade Au (g/t)	Grade Fe (%)	Contained Metal Cu (kt)	Contained Metal Au (koz)	Contained Metal Magnetite Conc. (Mt)
Proven Reserves							
Santo Domingo Sur	65.4	0.61	0.08	30.9	398	169.9	8.2
Probable Reserves							
Santo Domingo Sur	252.1	0.27	0.04	27.8	674	300.8	48.2
Iris Norte	74.8	0.13	0.01	26.9	94	36	18.7
Total Probable	326.9	0.24	0.03	27.6	768	336.8	66.9
Total Mineral Reserves							
Proven + Probable	392.3	0.30	0.04	28.2	1167	506.7	75.1

NOTES

1. **Cautionary statement:** See the cautionary statement in Section 8.10.
2. **Qualified Person:** Carlos Guzmán, RM CMC, FAusIMM, an employee of NCL, is the Qualified Person for this estimate.
3. **Reporting basis:** Mineral Reserves are reported at the point of delivery to the process plant, using the 2014 CIM Definition Standards. Mineral Reserves are reported on a 100% basis.
4. **Effective date:** Mineral Reserves have an effective date of 14 November 2018.
5. Mineral Reserves are reported as constrained within Measured and Indicated pit designs and supported by a mine plan featuring variable throughput rates and cut-off optimisation.
6. **Economic assumptions:** The pit designs and mine plan were optimised using the following economic and technical parameters: metal prices of US$3.00/lb Cu, US$1,280/oz Au and US$100/dmt of Fe concentrate; average recovery to concentrate is 93.4% for Cu and 60.1% for Au, with magnetite concentrate recovery varying on a block-by-block basis; copper concentrate treatment charges of US$80/dmt, US$0.08/lb of copper refining charges, US$5.0/oz of gold refining charges, US$33/wmt and US$20/dmt for shipping copper and iron concentrates respectively; waste mining cost of US$1.75/t, mining cost of US$1.75/t ore and process and G&A costs of US$7.53/t processed; average pit slope angles that range from 37.6º to 43.6º; a 2% royalty rate assumption and an assumption of 100% mining recovery.
7. **Figures:** Totals may not tally due to rounding. All amounts are in USD unless otherwise specified. Contained metals are reported at 100%.
8. **Measurements:** Tonnage measurements are in metric units. Copper and iron grades are reported as percentages, gold as grams per tonne. Contained gold ounces are reported as troy ounces, contained copper as metric thousand tonnes and contained iron as metric million tonnes.

(g) Planned mining operations

The Santo Domingo Project is proposed as an open pit mine with two pits, the Santo Domingo pit and the Iris Norte pit. The Santo Domingo Technical Report outlines a mine life of 18 years, expected to begin two years after the construction decision with a 15-month pre-production period.

Refer to the Santo Domingo Technical Report for assumptions, qualifications and procedures underpinning all Santo Domingo production targets.

The mine plan throughput rate contemplated in the Santo Domingo Technical Report is 60 – 65 ktpd of feed (21.9 – 23.7 Mtpa) with a peak total mining rate of 107.5 Mtpa in Years 1 to 4. Because of the softer characteristic of the initial feed (higher copper content and lower magnetite), an initial period of 5 years was scheduled for a plant feed of 65 ktpd. From Year 6 the plant throughput is scheduled for 60 ktpd. Oxide material will be identified and will be stockpiled separately throughout operations. Mill throughput is also expected to be restricted to a magnetite concentrate production capacity of a maximum 4.5 Mtpa up to Year 10; and 5.4 Mtpa from Year 11.

In the Santo Domingo Technical Report, the copper head grade varies between 0.68% Cu and 0.42% Cu during the first 5 full years of production. After the fifth full year the copper head grade varies between 0.37% Cu and 0.14% Cu. At the end of the mine life the copper head grade reduces to 0.06% Cu. For the first 5 full years the iron head grade is about 30% Fe, with an average of around 28% Fe with little variation over the LOM.

LOM average production is 206 ktpa (dmt) of copper concentrate per year over a period of ~18 years, at a 29% Cu grade. The LOM average production is 4.2 Mt (dmt) of iron concentrate per year over a period of ~18 years, at a 65% iron grade.

The plant will use desalinated water from a pumping station at the port.

There will be a filter plant at the port for magnetite concentrate. Magnetite concentrate will be transported by pipeline from the mine site and will be received at the port in an agitated storage tank and then pumped directly to the filter plant to obtain a magnetite concentrate with a moisture content of 8% measured by weight. Initially there will be two ceramic disc filters (increasing to four by Year 5) and the magnetite concentrate filter cake product will discharge onto a conveyor feeding the concentrate transfer tower and then the magnetite concentrate stockpile.

Process water (desalinated water) required at the port will be provided by the desalinated water supplier. Potable water at the port will be produced from the desalinated water by chlorination.

(h) **Processing and metallurgy**

Metallurgical testwork has been undertaken since 2006. Two separate physical characterisation testwork programs, including (SAG SMC) testwork campaigns, were conducted in order to confirm the throughput rate of the comminution circuit. The complete data set tested was spatially and lithologically representative of the first 3 years of mining.

A copper and gold pilot plant was operated in 2015 to produce concentrate for testwork and to verify design criteria. Composites were prepared from drill core from a 2014 – 2015 drill program to represent each of the first 5 years of operation and a combined composite. The pilot plant used sea water and the flowsheet for copper and iron was the flowsheet current at the time.

In 2018, testwork was carried out using desalinated water to support its use in place of sea water. This included rougher and cleaner kinetic tests for modelling the flotation circuit and development of a recovery algorithm for copper and gold with desalinated water.

An iron pilot plant was operated in 2015 using a composite designed to represent the first 5 years of operation. The plant was operated using sea water and the flowsheet current at the time. Concentrate from the pilot plant operation was tested by FLSmidth and Outotec to determine filtration and thickening characteristics.

The majority of iron concentrate samples produced from the Davis Tube tests returned elemental grade values within target specification and indicate that a marketable iron concentrate can be produced.

Additional testwork was completed at SGS Santiago in 2019 to confirm design criteria using low intensity magnetic separation using the Years 1-5 composite rougher flotation tailings from the program completed at Aminpro in 2019, and desalinated water. In all cases the final iron concentrate grade was >65% Fe and impurities (such as silica and others) were close to Capstone's target. The circuit was confirmed as per the current design.

The process flowsheet is set out in the Santo Domingo Technical Report.

(i) Infrastructure, permitting and compliance activities

Infrastructure

Santo Domingo Project is located approximately 150 km north of Copiapó and 5 km southeast of the town of Diego de Almagro in Region III of northern Chile. Access to the planned mine and plant site is via the paved Pan-American Highway (Route 5 North) and a network of generally well-maintained paved roads.

Regional infrastructure is well established, including roads, electrical transmission systems and capacity (labour, support services) to serve the mining industry. However, there is currently little infrastructure on the Santo Domingo property, except gravel roads for access to the concessions and drill sites and areas set up to stage early works construction. Highway C-17 connecting Diego de Almagro and Copiapó is paved and passes immediately east of the proposed mine–plant site area. The nearby town of Diego de Almagro (population around 15,000) is connected to the regional power grid and can provide some support services for the planned operations.

Mining activities are expected to be possible on a year-round basis. The climate is generally warm, dry and clear in all seasons. The proposed mine site area is classified as interior desert; the proposed port location is in a coastal desert regime. Rainfall is low and concentrated in the winter months. Vegetation is very sparse.

The currently proposed project uses desalinated water and will not require an application for water rights. An approved maritime concession will allow the extraction of sea water for processing in the desalination plant. Water for construction will be obtained from an authorised third-party provider.

The Santo Domingo Project is not currently subject to any environmental liabilities.

Tailings will be thickened in two stages, first at the process plant then at the TSF area. Recovered water from the thickeners will be pumped back to the process water pond. Thickened tailings will be pumped to the TSF. The TSF will be located approximately 2 km southeast of the process plant.

Environmental studies

Environmental baseline studies were carried out in the area of influence covering the following communities: Diego de Almagro, Inca de Oro, El Salado, Chañaral, Flamenco, Torres del Inca, Obispito and Caldera. Studies have included physical environment (climate, meteorology); air quality; noise; natural hazards; soils; hydrology/hydrogeology; fauna; flora; port area (setting, tides, chemical and marine environments); human environment (setting, heritage, archaeology); palaeontology; and visual landscape.

Closure Plan

The MCP for the Santo Domingo Project was approved in July 2019. Closure costs, which total $25.5 million on a discounted cash flow basis (US$102.1 million undiscounted), are treated in the economic analysis as operating costs and expensed in the year they are incurred.

The Santo Domingo Project is expected to have an 18-year LOM.

(j) Capital and operating costs

Capital and operating cost estimates

Capital and operating cost estimates were prepared as part of the Santo Domingo Technical Report, based on battery limits established by Capstone. All capital and operating costs are in Q3 2018 US$. A foreign exchange rate of CH$600 to US$1 was used for the detailed estimate.

The initial capital cost (including contingency) was estimated to be US$1.5 billion. The estimated sustaining capital cost totals US$379 million. The combined initial and sustaining capital costs for the LOM were estimated to be approximately US$1.9 billion. The estimate is a Type 3 estimate according to Wood and Association for the Advancement of Cost Engineering International standards, with an accuracy of -10 to +15% at the 85% confidence level.[3]

Table 9: Santo Domingo Project Initial Capital Cost Estimate

	Area	Cost (US$m)
Initial Capital	Mine	178
	Process Plant	313
	Tailings and Water Reclaim	48
	Plant Infrastructure (On Site)	82
	Port	147
	Port Infrastructure (On Site)	22
	External Infrastructure (Off Site)	143
	Indirect Costs	381
	Contingency	198
Total Initial Capital		**1,512**
Total Sustaining Capital		**379**
Total Capital Cost		**1,891**

NOTES

1. **Qualified Person:** Antonio Luraschi, CMC, an employee of Wood, is the Qualified Person for this estimate.

Operating cost estimates are summarised in Table 10. The total estimated operating cost over the projected LOM is US$5.6 billion (excluding copper concentrate land transport).

The operating cost estimate is considered to be at a feasibility study level, with an accuracy of -10% to +15%. For the Cu-eq estimate, prices of US$3.00/lb Cu, US$1,290/oz Au and US$80.0/t magnetite concentrate assuming 65% Fe content (FOB Chile) were used.

[3] This paragraph contains non-IFRS financial measures. See Section 3.8 for more information.

Table 10: Santo Domingo Project Operating Cost Estimate

Cost Centre	LOM Total (US$m)	LOM Average (US$/t)	LOM Average (US$/lb Cu-eq)[1]
Process	2,548	6.49	0.610
General & Administrative	403	1.03	0.097
Mining	2,620	6.68	0.631
Total	5,570	14.20	1.34

NOTES

1. **Copper equivalent** unit cost estimates consider copper, gold and magnetite concentrate as the salable products.
2. **Qualified Person:** Antonio Luraschi, CMC, an employee of Wood, is the Qualified Person for this estimate.

(k) Economic analysis

The results of the economic analysis to support Mineral Reserves represent forward-looking information that is subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those presented here.

Forward-looking statements include, but are not limited to, statements with respect to future metal prices and concentrate sales contracts, assumed currency exchange rates, the estimation of Mineral Reserves and Mineral Resources, the realisation of Mineral Reserve estimates including the achievement of the dilution and recovery assumptions, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of ore zones, permitting time lines, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses and title disputes.

Additional risk can come from actual results of reclamation activities; conclusions of economic evaluations; changes in parameters as mine and process plans continue to be refined; possible variations in ore reserves, grade, or recovery rates; geotechnical considerations during mining; failure of plant, equipment, or processes to operate as anticipated; shipping delays and regulations; accidents, labour disputes and other risks of the mining industry; and delays in obtaining government approvals. Please refer to Section 4 for further detail on risk factors.

If additional mining, technical and engineering studies are conducted, project assumptions, timelines, information and statements made in the Santo Domingo Technical Report may change.

Table 11: Summary of Santo Domingo Pre-Tax Cash Flow

Cost Item	LOM (US$m)	US$/t milled	US$/lb Cu payable
Revenue (after losses and before deductions)			
Cu	7,200.4	18.35	3.11
Au	392.6	1.00	0.17
Fe	6,005.1	15.31	2.59
Sub-Total	13,598.1	34.66	5.87
Smelting costs			
Treatment	(300.3)	(0.77)	(0.13)
Cu deduction	(252.0)	(0.64)	(0.11)
Au deduction	(155.7)	(0.40)	(0.07)
Refining – Cu	(185.3)	(0.47)	(0.08)
Refining – Au	(0.918)	(0.00)	(0.00)
Concentrate Transport	(225.3)	(0.57)	(0.10)
Sub-Total	(1,119.5)	(2.85)	(0.48)
Operating cost			
Mining	(2,619.6)	(6.68)	(1.13)
Process	(2,547.6)	(6.49)	(1.10)
General & Administrative	(402.8)	(1.03)	(0.17)
Sub-Total	*(5,570.0)*	*(14.20)*	*(2.40)*
Other			
Royalties	(249.6)	(0.64)	(0.11)
Closure	(102.1)	(0.26)	(0.04)
Total	*(351.6)*	*(0.90)*	*(0.15)*
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)	6,557.0	16.71	2.83
Construction capital	(1,512.3)	(3.85)	(0.65)
Sustaining capital	(378.6)	(0.97)	(0.16)
Undiscounted margin (cumulative net cash flow)	4,666.1	11.89	2.01

NOTES

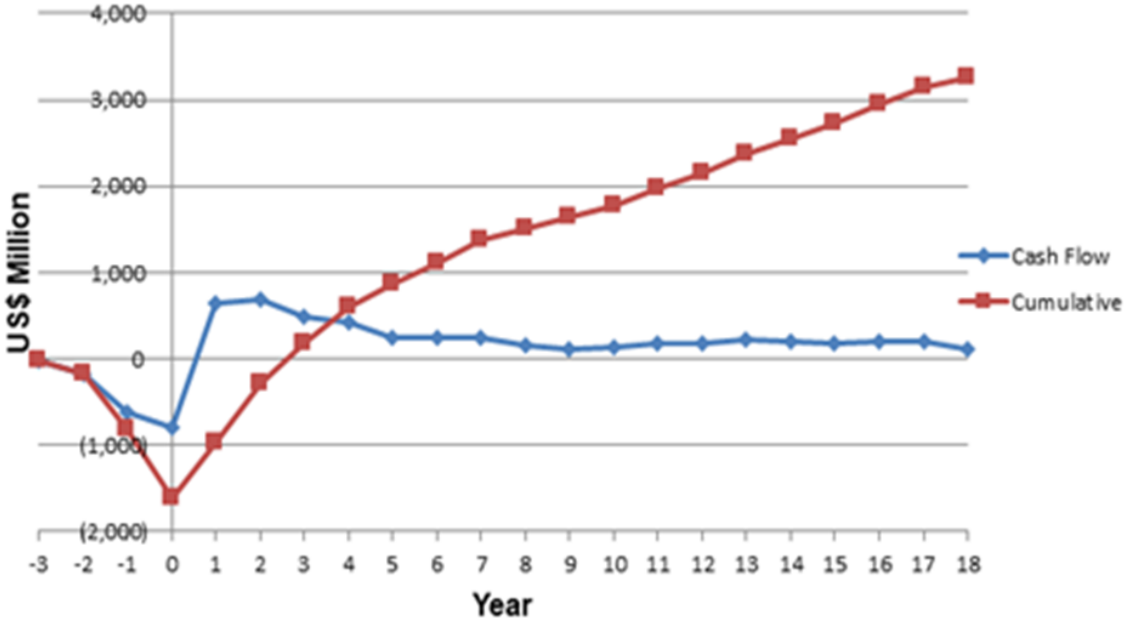
1. **Qualified Person:** Antonio Luraschi, CMC, an employee of Wood, is the Qualified Person for this estimate.

The Santo Domingo Project was evaluated using non-inflated cash flows on an after-tax basis. Metal prices for economic evaluation are the same as those used for Cu-eq estimate.

On a pre-tax basis, the cumulative undiscounted cash flow is estimated at US$4.7 billion. On an after-tax basis the cumulative undiscounted cash flow is US$3.25 billion, the IRR is 21.8% and the payback period is 2.8 years.

At an 8% discount rate, the after-tax NPV is US$1.0 billion. A pre-tax summary table is included as Table 11. The LOM cash flow is shown in Figure 7. Cash Costs are summarised in Table 12.

Figure 7: Santo Domingo After Tax Cash Flow Summary



NOTES

1. **Qualified Person:** Antonio Luraschi, CMC, an employee of Wood, is the Qualified Person for this figure.

Under the assumptions of the Santo Domingo Technical Report, the feasibility study for Santo Domingo shows positive economics. Capstone is in the process of reviewing the assumptions and other inputs with a view to issuing an updated Technical Report for Santo Domingo in 2024.

Table 12: Santo Domingo Project Cash Cost Summary LOM

Cash Costs	LOM Total (US$m)	Cost per tonne milled (US$/t)	Cost per pound Cu payable (US$/lb)
Costs			
Mining	2,619.6	6.68	1.13
Process	2,547.6	6.49	1.10
General & Administrative	402.8	1.03	0.17
Treatment charges	300.3	0.77	0.13
Refining charges	186.2	0.47	0.08
Concentrate transport	225.3	0.57	0.10
Sub-Total	*6,281.9*	*16.01*	*2.72*
Credits			
Au	(392.6)	(1.00)	(0.17)
Fe	(6,005.1)	(15.31)	(2.59)
Sub-Total	*(6,397.7)*	*(16.31)*	*(2.76)*
Adjusted Cash Cost Total	***39.8***	***0.10***	***0.02***

NOTES

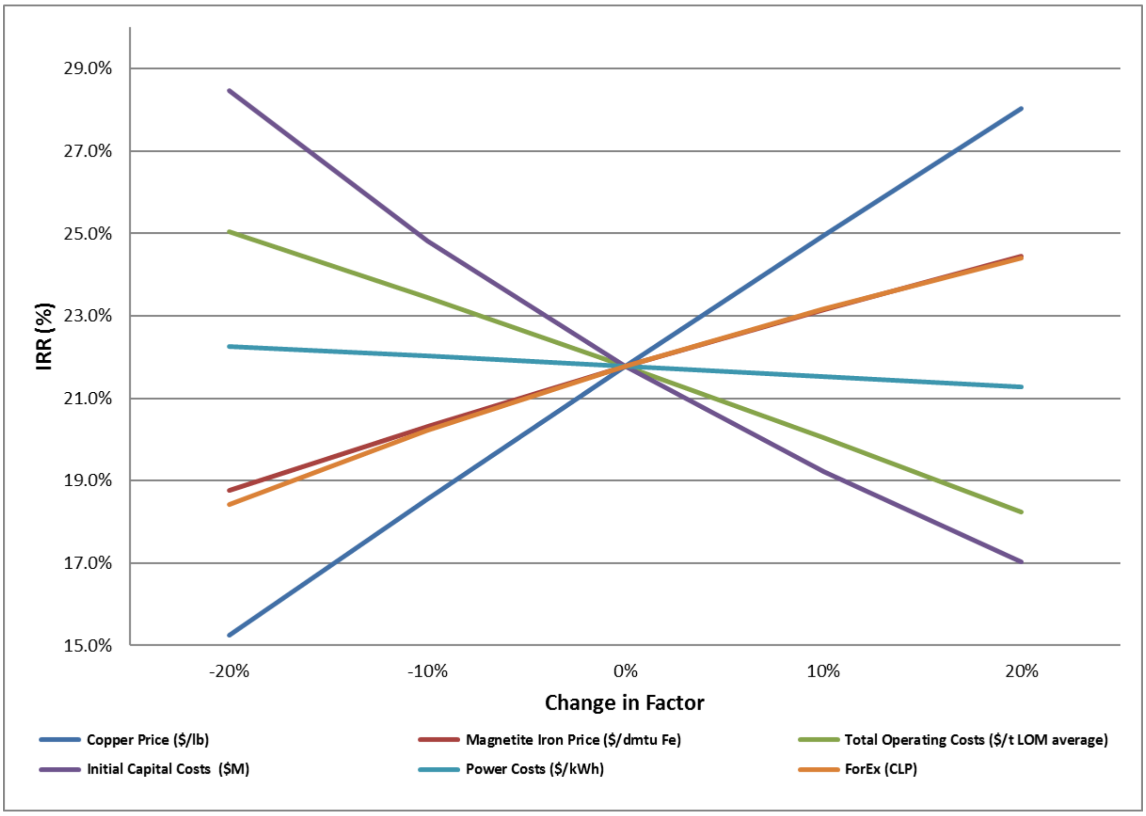
1. **Qualified Person:** Antonio Luraschi, CMC, an employee of Wood, is the Qualified Person for this estimate.

The gold and iron by-product credits are expected to offset operating costs over LOM, resulting in an almost zero C1 Cash Cost (US$0.02/lb).

A sensitivity analysis was performed on the financial model taking into account variations in metal price (copper, iron and gold); operating costs (including electricity); foreign exchange rates and capital costs.

Figure 8 shows the sensitivity of the IRR and Figure 9 shows the sensitivity of the NPV8% to these variations.

Figure 8: Sensitivity of IRR

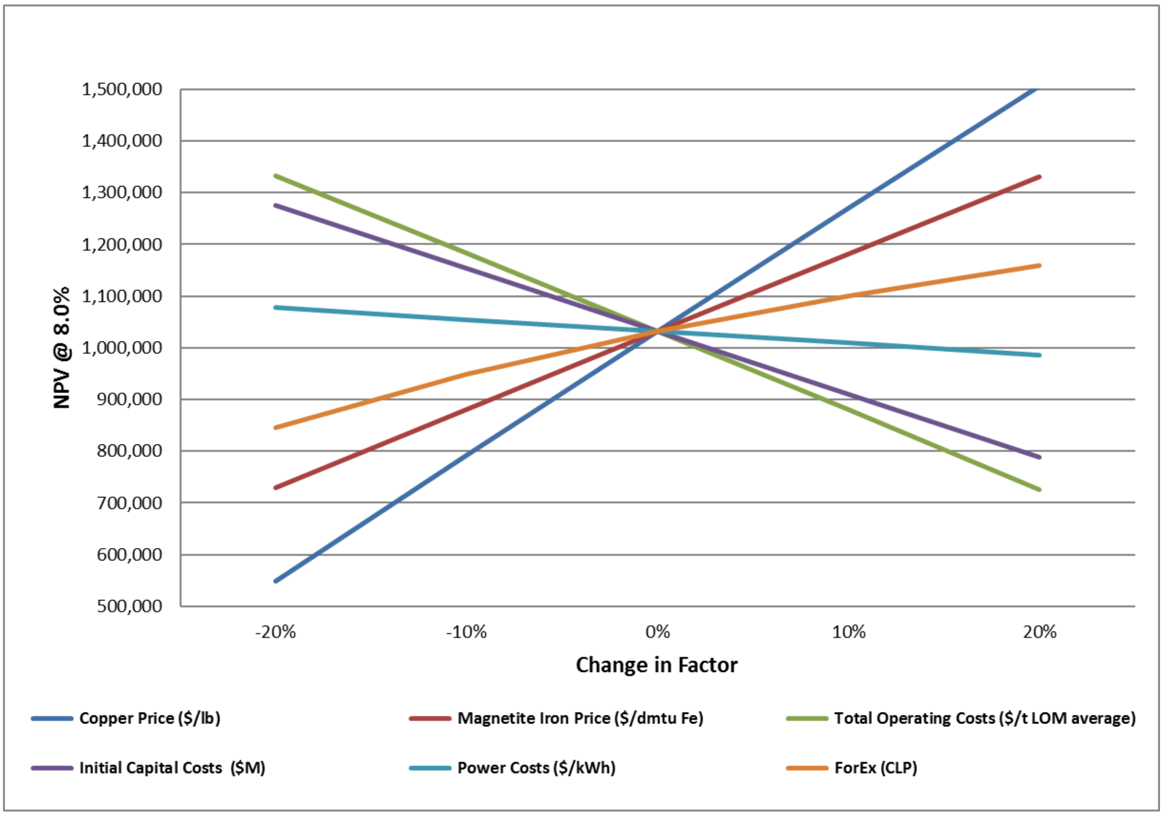


NOTES

1. **Qualified Person:** Antonio Luraschi, CMC, an employee of Wood, is the Qualified Person for this figure.

Sensitivities to copper and iron grades are not shown, since changes in copper and iron grades are mirrored by the sensitivities to changes in the copper and iron prices, respectively. The analysis shows that feasibility study update NPV8% is most sensitive to changes in the copper price (copper grade) and in the total capital and operating costs. The sensitivity analysis showed that the Santo Domingo Project is less sensitive to changes in the iron price and the dollar/peso exchange rate.

Figure 9: Sensitivity of NPV8% (US$'000s)



NOTES

1. **Qualified Person:** Antonio Luraschi, CMC, an employee of Wood, is the Qualified Person for this figure.

The most significant risks attributable to Santo Domingo Project were evaluated in a risk review in 2018. These included delay in financing, delays in schedules, contractor engagement, price uncertainty, and increased equipment and labour costs.

Santo Domingo Project's applicable taxes include the following:

- Corporate taxes: The Chilean corporate tax is 27%. Currently, the Santo Domingo Project is not subject to Chilean taxes as it has not generated any taxable income yet, and it has tax losses that may be carried forward indefinitely.

- Value Added Tax (**VAT**) payable to the Chilean government: Any overpaid (credit) amount may be offset with receivable value added tax. Currently, the Santo Domingo Project does not generate any payable value added tax since it does not generate any income. Once commercial production is achieved, Santo Domingo is expected to continue generating a receivable VAT as their sales would be export sales, which would be exempt from VAT.

- Mining tax: The recently enacted Mining Royalty is not expected to have an impact on the Santo Domingo Project which has 15 years of tax stability post commencement of commercial production as a result of Decree Law Np. 600 (**DL 600**), during which time it will remain subject to the prior Specific Tax on Mining which contains rates that range from 5% to 14% based on metric tonnes sold and income from mining operations.

(l) Royalty agreements, streamlining arrangements and offtake agreements

Royalty agreements

Most areas of the proposed open pits are located on concessions subject to one or the other of two 2% NSR agreements with Vela Royalties Limited (**Vela**) (pursuant to a novation from BHP Chile Inc. in May 2015 and formerly named as BHP Billiton Royalty Investments Pty Ltd. and a subsequent transfer from South32 Royalty Investments Pty Ltd. To Vela Royalties Limited) and ENAMI, a Chilean government corporation.

Offtake agreements

No formal offtake agreements for copper or iron concentrate product from the Santo Domingo Project is currently in place.

Santo Domingo copper concentrate would generally be considered clean; low in impurities (deleterious or penalty elements). For trading companies specialising in blending various complex copper concentrates, a clean concentrate such as that from Santo Domingo would likely be in high demand. The timing to secure sales contracts would be dependent on the progress of arrangements for project financing. It is likely that banks or financial institutions will prefer signed letters of intent or memorandums of understanding from smelters, followed by full long-term contracts, as a condition for the completion of financing.

The Santo Domingo Project will produce a high magnetite ultra-fine iron ore concentrate and will need to shortlist a number of potential pellet and/or sintering plants that can process the iron ore concentrate as a starting point of a campaign to contract suitable long-term offtakers.

Each steel mill complex has its own level of tolerance in terms of impurities. Impurities of concern in the magnetite concentrate are silica and copper. Copper is below the threshold but may in some circumstances represent a non-preferred feed; silica is likely to be a cost factor or penalty element rather than a rejectable quality issue.

(m) Health, safety and environment

The Santo Domingo Project recorded no lost time incidents, fatalities or reportable environmental incidents over the last three years. Santo Domingo Project’s TRIFR is 0.00 based on 200,000 work hours.

Environmental baseline studies were carried out in the area of influence covering the following communities: Diego de Almagro, Inca de Oro, El Salado, Chañaral, Flamenco, Torres del Inca, Obispito and Caldera. Studies have included physical environment (climate, meteorology); air quality; noise; natural hazards; soils; hydrology/hydrogeology; fauna; flora; port area (setting, tides, chemical and marine environments); human environment (setting, heritage, archaeology); palaeontology; and visual landscape.

(n) Workforce

There are several towns and villages near the proposed mine site. Diego de Almagro, located adjacent to the mine and plant area, has a population of several thousand people. Chañaral is a deep-sea port less than one hour’s drive to the west of the property. Chañaral has a population of about 10,000 people, hotel accommodation, food, fuel and minor services are available.

The most important logistics centre in the Region is Copiapó, about two hours south of the Santo Domingo property. Copiapó has a population of approximately 150,000 people, an airport with daily scheduled flights to Santiago and Antofagasta and companies that offer abundant services for mining and exploration.

The Santo Domingo Project currently employs approximately 35 personnel, with central support provided from Capstone's head office in Vancouver.

(o) **Tenements**

Capstone has two groups of mineral concessions at the Santo Domingo Project with a total of 116 claims that cover a total of 28,897 ha and include the areas of the planned mine site, plant area, and auxiliary facilities including proposed port facilities. All mineral concessions are in good standing until the end of March 2024.

The Santo Domingo Project mineral concessions require annual payment of mining license fees to the Tesorería General de la Republica in March. Capstone has developed a legal strategy to obtain the necessary surface rights to cover the planned mine, plant, camps, tailings storage facility, mine waste disposal, pipelines, port and transmission lines. Current surface rights include 17 registered provisional surface rights (3,634 ha) and 16 definitive surface rights (3,856.78 ha); applications for an additional six definitive surface rights (239.84 ha) are in progress. Further information on tenure can be found in section 4 of the Santo Domingo Technical Report.

(p) **Fiscal regime**

Refer to Section 2.4.3(n) for an overview of the Mining Royalty, which will apply to production from Santo Domingo after an initial 15 years of tax stabilisation which the project will enjoy – refer to Section 2.4.5(k).

2.4.6 Overview of Cozamin Mine (Zacatecas, Mexico)

(a) **Project overview**

The Cozamin Mine is a copper-silver-zinc-lead underground mine with a 4,400 tpd (1.6 Mtpa) milling capacity, located 3.6 km north-northwest of Zacatecas City, Mexico. Since the first full year of operation in 2007, Cozamin has generated positive free cash flow at all points of the copper price cycle. Capstone released an updated mine plan for the Cozamin Mine in 2023 detailed in the Cozamin Technical Report.

Capstone owns 100% of Cozamin Mine through its subsidiaries Capstone Gold S.A. de C.V. (Capstone Gold; 99.9% ownership) and Capstone Mexico Mining Corp. (0.01% ownership).

The Cozamin Mine is located in the mineral rich region of the Zacatecas Mining District, near the south-eastern boundary of the Sierra Madre Occidental Physiographic Province, in north-central Mexico. The area is characterised by rounded northwest trending mountains with the Sierra Veta Grande to the north and the Sierra de Zacatecas to the south. Elevations at the Cozamin Mine vary from 2,400 MASL to 2,600 MASL. The mine is accessible via paved roads and excellent surrounding infrastructure including schools, hospitals, railroads and electrical power.

Figure 10: Cozamin Mine Infrastructure and Location

(b) **Cozamin Technical Report**

The Cozamin Mine is the subject of a report titled “Technical Report on the Cozamin Mine, Zacatecas, Mexico” dated 2 May 2023 with an effective date of 1 January 2023 (the **Cozamin Technical Report**), prepared in accordance with NI 43-101.

The description of the Cozamin Mine in the Prospectus is based on assumptions, qualifications and procedures which are set out in the Cozamin Technical Report. For further information, refer to the full text of the Cozamin Technical Report, which is available under Capstone’s profile on SEDAR+ at www.sedarplus.ca or on Capstone’s Website.

(c) **History**

The Cozamin Mine lies within a regionally mineralised area that has seen extensive historic mining over more than 475 years. A number of old workings are located throughout the mine area, but accurate records of early production are unavailable. Consejo de Recursos Minerales estimated Zacatecas district historic production until 1992 at 750m ounces of silver from 20 Mt grading >900 g/t Ag and approximately ~2.5 g/t Au. Lead, zinc and copper have also been recovered but the production and grades were not estimated.

Minera Cozamin was established in 1982 by Jacek Zaniewicki who consolidated concession holdings over much of the Mala Noche Vein (**MNV**), the major vein system at the Cozamin Mine. Jacek operated the then-called San Roberto Mine and plant at 250 tpd until October 1996. In all, it is estimated that 1.2 Mt of ore were mined and processed at the Cozamin Mine prior to October 1996.

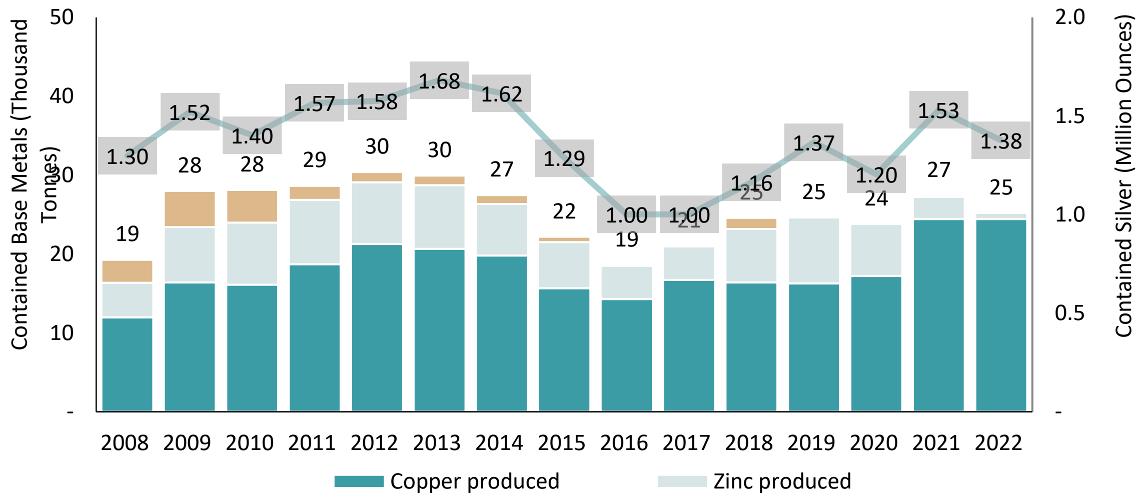
In October 1996, Zaniewicki sold Minera Cozamin to Minera Argenta, a subsidiary of Minera Bacis S.A. de C.V. (**Bacis**). Bacis expanded the mill to a 750 tpd flotation plant, and processed 250 kt of ore grading 1.2% Cu, 90 g/t Ag, 0.5 g/t Au, 1.8% Zn and 0.6% Pb from 1997 to the end of 1999, mainly from shallow, oxide zone workings.

Bacis developed resources principally by drifting and raising on the Mala Noche Vein within the San Roberto zone. Diamond drilling was only used as an exploration tool to identify areas with mineralisation peripheral to the developed mine workings. In 1999, Bacis closed the mine primarily due to low metal prices and under-capitalisation of the asset. Capstone assumed ownership of the Cozamin Mine in 2004. Capstone formally received its operating permit on 20 October 2006 known in Mexico as a Licencia Ambiental Única.

(d) **Historical production data**

The Cozamin Mine declared commercial production on 31 August 2006 and has operated continuously since then under Capstone's ownership. Copper production has averaged 18 ktpa over the period.

Figure 11 Cozamin Mine Production Summary Since 2008



Refer to Section 2.4.6(o) for 2023 production information.

(e) **Geology and exploration**

The Zacatecas Mining District covers a belt of epithermal and mesothermal vein deposits that contain silver, gold and base metals (copper, lead and zinc). The district occurs in a structurally complex setting, associated with siliceous subvolcanic and volcanic rocks underlain by sedimentary and meta-sedimentary rocks.

All mineralisation at the Cozamin Mine occurs in veins, and fracture-controlled systems of veinlets. Currently mined mineralisation at the Cozamin Mine is best described as intermediate sulphidation. The copper-rich intermediate sulphidation mineralisation is an early phase that is enveloped, overprinted or brecciated by zinc-rich intermediate sulphidation mineralisation.

Cozamin's dominant mineralised vein systems include the Mala Noche Vein and the Mala Noche Foot Wall Zone (**MNFWZ**). On surface, the MNV was mapped for 5.5 km across the property. It strikes approximately east-west and dips on average at 60° to the north. There are several shafts that provide access to historical workings, the largest historical area being the San Roberto mine and the second largest area being the San Rafael mine. Current exploration efforts are focused on the MNFWZ West Target and other brownfield targets in the property. MNFWZ is open locally to the south-east and north-west and down-dip (at depth), while MNV is open locally to the east and west and down-dip (at depth).

Capstone’s surface and underground drilling on the Project for the period 2004 to October 2022 totals 1,293 core holes (583,550 m). Core diameters include HQ (63.5 mm core diameter), NQ (47.6 mm) and BQ (36.4 mm). A summary for drilling activities at Cozamin can be found in Section 2.4.6(c).

A total of 20 phases of drilling have targeted resource definition and expansion along the MNV (San Roberto and San Rafael zones), MNFWZ (since discovery in 2010), and other exploration targets on Capstone’s property.

(f) Mineral Resource and Mineral Reserve estimates

Table 13: Cozamin Mine Mineral Resource Statement as at 1 January 2023

Category	Tonnes	Copper	Silver	Zinc	Pb	Copper Metal	Silver Metal	Zinc Metal	Lead Metal
	(kt)	(%)	(g/t)	(%)	(%)	(kt)	(koz)	(kt)	(kt)
Total Mineral Resources (MNV + MNFWZ)									
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
Measured + Indicated	19,664	1.58	46.9	1.08	0.41	311	29,662	212	81
Inferred	12,283	0.72	38.3	1.97	0.83	88	15,123	242	102

NOTES

1. **Cautionary statement:** See the cautionary statement in Section 8.10.
2. **Qualified Person:** Clay Craig, P. Eng., is the Qualified Person for this estimate.
3. **Reporting basis:** Mineral Resources are reported insitu, using the 2014 CIM Definition Standards. Mineral Resources are reported on a 100% basis.
4. **Effective date:** Mineral Resources have an effective date of 1 January 2023.
5. **Economic viability:** Mineral Resources are reported inclusive of the Mineral Resource converted to Mineral Reserve. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
6. **Economic assumptions:** 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. The Mineral Resource is reported above a net smelter return of US$59/t. Metal price assumptions in the NSR formulae were US$3.75/lb Cu, US$22.00/oz Ag, US$1.35/lb Zn and US$1.00/lb Pb.
7. **Recovery:** Metallurgical recoveries used in the NSR formulae are based on mineralisation. Metallurgical recoveries vary by domain and NSR formula. The NSR formula for MNV zinc zones is (Ag*0.241 + Zn*15.511 + Pb*12.993)*(1- NSRRoyalty%) using metallurgical recoveries of 55% Ag, 80% Zn and 80% Pb. The NSR formula for MNV copper-zinc zones is (Cu*69.739 + Ag*0.498 + Zn*12.956)*(1-NSRRoyalty%) using metallurgical recoveries of 95% Cu, 85% Ag and 67% Zn. Copper–silver dominant zones use the NSR formula: (Cu%*US$70.72 + Ag g/tUS$0.53) * (1-NSR 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%*US$69.74 + Ag g/t*US$0.50 + Zn%*US$12.96) * (1-NSR Royalty%). Copper– zinc zones use the following metallurgical recoveries: 94.82% Cu, 83.82% Ag, 66.95% Zn, and 0% Pb. MNFWZ zinc-dominant zones use the NSR formula: (Ag g/t*US$0.35 + Zn%*US$16.80 + Pb%*US$15.11) * (1-NSR Royalty%). MNFWZ zinc-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.
8. **Figures:** Totals may not tally due to rounding. All amounts are in USD unless otherwise specified. Contained metals are reported at 100%.

Table 14: Cozamin Mine Mineral Reserves as at 1 January 2023

Category	Tonnes	Copper	Silver	Zinc	Pb	Copper Metal	Silver Metal	Zinc Metal	Lead Metal
	(kt)	(%)	(g/t)	(%)	(%)	(kt)	(koz)	(kt)	(kt)
Reserves Summary									
Proven	-	-	-	-	-	-	-	-	-
Probable	10,210	1.65	43.44	0.54	0.29	168	14,258	55	29
Proven + Probable	10,210	1.65	43.44	0.54	0.29	168	14,258	55	29

NOTES

1. **Cautionary statement:** See the cautionary statement in Section 8.10.
2. **Qualified Person:** Clay Craig, P. Eng., is the Qualified Person for this estimate.
3. **Reporting basis:** Mineral Reserves are reported at the point of delivery to the process plant, using the 2014 CIM Definition Standards.
4. **Effective date:** Mineral Reserves have an effective date of 1 January 2023.
5. Mineral Reserves are 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.
6. Mineral Reserves are reported at or above a blended cut-off of US$60.54/t NSR for long-hole stoping and US$65.55/t NSR for cut-and-fill mining.
7. 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 mineralisation and metallurgical recoveries. Copper-silver dominant zones use the NSR formula: (Cu*66.638 + Ag*0.484)*(1-NSRRoyalty%). MNFWZ zinc-silver zones use the NSR formula: (Ag*0.290 + Zn*13.723 + Pb*13.131)*(1-NSRRoyalty%). MNV zinc-silver dominant zones use the NSR formula: (Ag*0.228 + Zn*12.121 + Pb*11.363)*(1-NSRRoyalty%). Metal price assumptions of Cu = US$3.55/lb, Ag = US$20.00/oz, Pb = US$0.90/lb, Zn = US$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.
8. **Figures:** Totals may not tally due to rounding. All amounts are in USD unless otherwise specified. Contained metals are reported at 100%.

(g) Mining operations

The Cozamin Mine is an underground mining operation. Ore has been extracted primarily using longitudinal long-hole open stoping with unconsolidated waste fill. With the introduction of paste backfill in 2023, a number of mining methods are employed, including longitudinal and transverse open stoping, and mechanised cut and fill. Reduced pillar requirements are also expected.

The mine plan uses two variations of longhole stoping: transverse longhole stoping for ore widths greater than 7 metres wide. The majority of the longhole stopes will be filled with paste backfill once the underground distribution system is fully established. These areas will be largely mined overhand and require few pillars to be left behind. Backfill methods in the longhold stoping areas will primarily be pastefill, but waste from development activities will also be used in secondary transverse longitudinal stopes and the mechanised cut and fill stopes. Cut-and-fill methods will be used in the upper areas of the mine that are closer to neighbouring communities to minimise disturbances caused during blasting operations. The tonnage distribution is approximately 60% longhole and 40% cut-and-fill, to support a planned production rate of 3,780 tpd over the life of mine. The mine extends for a strike length of over 2 km and Mineral Reserves extend to a depth of 1 km.

The Cozamin Mine's production plan is 3,800 tpd (1.4 Mtpa). The Cozamin Mine will continue to look for opportunities that will provide a pathway to increase mine production in the future to better utilise the installed mill capacity of 4,400 tpd (1.6 Mtpa).

(h) Processing and metallurgy

The Cozamin Mine processes >1.3 Mtpa of ore. ROM ore is stockpiled on surface and sent to the crushing plant. Crushed ore is stored in two ore bins that feed parallel conventional grinding circuits. The resulting product is sent to the copper-lead rougher flotation where a copper-lead concentrate is produced.

Tailings report to zinc conditioning tanks prior to zinc flotation, where reagents are added to activate zinc mineralisation. The tailings go through zinc rougher and cleaning circuits to produce a zinc concentrate product.

Separate copper and lead concentrates are produced from the copper-lead concentrate via selective flotation. The concentrates are thickened and filtered to produce product suitable for transport. Concentrates are trucked to Manzanillo, Mexico.

The current mine plan maintains the Cozamin Mine operation life into 2030.

SGS Lakefield recommended copper, lead and zinc flotation circuits after studying mineralogy, grindability and flotation characteristics. Copper flotation tests determined that a primary grind of 125 microns and a concentrate regrind of 45 microns yielded concentrates assaying 27% copper at 95% copper recovery, with 79% of the silver recovered in the copper concentrate and 85% of the lead. Zinc concentrate test work was completed up to the rougher flotation stage; recovery was estimated at 50%.

Currently, the Cozamin Mine conducts metallurgical testing programs for previously unmined zones and blending of material from different zones considered representative of future feedstock. Testing is correlated with industrial scale performance to forecast mill throughput and metallurgical performance.

Most recently, 2020 testwork at Blue Coast confirmed metal recoveries of 96% Cu, 84% Ag, nil Pb and nil Zn in copper-silver dominant zones, nil Cu, 60% Ag, 92% Pb and 86% Zn in MNFWZ zinc-silver dominant zones, and nil Cu, 53% Ag, 79% Pb and 75% Zn in MNV zinc-silver dominant zones.

No processing factors or deleterious elements that may have a significant effect on potential economic extraction have been identified.

(i) Infrastructure, permitting and compliance activities

Infrastructure

The Cozamin Mine currently has all necessary infrastructure in place to support an underground mining and mineral processing operation. Infrastructure in places includes a shaft, access ramps, ventilation system, paste backfill plant, process facility, power, pipelines, crushing and conveying facilities, maintenance facilities, administrative offices, roads, ROM stockpile, tailings filtration plant and a TSF.

The Cozamin Mine transitioned to a filtered (dry stack) TSF that includes a Phase I component located at the toe of the existing TSF, and a Phase II located on top of the existing TSF. Tailings will be deposited for approximately two years in Phase I, after which deposition will transition to Phase II, which has sufficient tailings storage capacity for the current LOM plan.

National grid electrical power is obtained through the Comisión Federal de Electricidad, with a current approval to draw 14.0 MW.

Water at Cozamin comes from three sources: fresh water permitted wells, permitted groundwater from nearby underground mines, and discharge water from a local municipal water treatment facility. Existing data and the site water balance indicate that current sources and will be sufficient for the current LOM plan. Cozamin operates as a zero-discharge facility; process water is not discharged and there are otherwise no direct discharges to surface waters.

Permitting

Capstone formally received its operating permit (**LAU**) on 20 October 2006. A LAU for a throughput expansion to 2,600 tpd was received on 25 March 2008. The permit to operate at throughput up to 4,500 tpd capacity was granted in June 2015 and remains in place today.

The Cozamin Mine property requires payment of mining duties to the Secretaria de Economía on the mining concessions semi-annually in January and July, plus annual land payments for surface use. Mining duties totalled US$107,000 in 2022, US$93,000 in 2021 and US$92,000 in 2020.

Closure Plan

Closure costs for the Cozamin Mine are estimated at US$33.7M at 31 December 2023. A conceptual closure plan is in place. Assumptions include continued operation at the current average operating rate of 1.5 Mtpa mined until 2030, followed by an estimated 10-year period of post-closure monitoring.

The Cozamin Mine end of life is expected to be 2030.

(j) **Royalty agreements, streaming arrangements and offtake agreements**

Royalty agreements

In 2017, Capstone entered into a mineral rights sharing agreement with Endeavour Silver Corp. (**EDR**) covering concessions that abut the southern boundary of the Cozamin Mine property. The agreement provides Capstone with exploration and exploitation rights on seven EDR concessions deeper than 2,000 MASL, a depth where copper-rich mineralisation was historically mined by Capstone, and provides EDR with exploration and exploitation rights on Capstone concessions shallower than 2,000 MASL.

A 3% NSR royalty is payable to Bacis and a 1% NSR royalty is payable to EDR, based on the concessions where mining occurs.

Streaming arrangements

Capstone signed a silver stream agreement with Wheaton Precious Metals Corp (**Wheaton**) effective 1 December 2020. On 19 February 2021, Wheaton paid an upfront cash consideration of US$150 million for 50% of the silver production until 10 Moz are delivered, then decreasing to 33% of silver production for the remaining LOM. Wheaton will make ongoing payments equal to 10% of the spot silver price at the time of delivery for each ounce delivered to them. Capstone is required to have an operating paste backfill plant and deposition of a minimum volume of paste underground before the end of 2023 as a condition of the agreement, or refund Wheaton up to a maximum of US$13 million.

Offtake agreements

The Cozamin Mine has sold metal concentrates since the start of production. The Cozamin Mine's copper concentrate is considered a high-quality clean concentrate with low impurities (deleterious or penalty elements). The zinc concentrate is lower quality due to high cadmium concentrations, limiting its global marketability. Lead concentrate is considered average quality. Silver is contained in each of the three concentrates and gold in the lead concentrate.

The concentrates are sold to reputable Mexican trading companies on annual or multi-year contracts. Three contracts are active and in good standing, with terms, rates and charges of these concentrate contracts within industry norms.

The key terms of these agreements are outlined in further detail in Section 7.6.

(k) **Health, safety and environment**

The Cozamin Mine recorded two lost time incidents and one fatality over the last three years. In 2021, a contractor's employee was struck by a rockfall from the drill face, causing a fatal injury. In addition to retraining personnel on standard operating procedures, the Cozamin Mine made significant changes to ground support protocols and updated risk mitigation measures to prevent rockfall. The Cozamin Mine's TRIFR for 2022 is 0.07 based on 200,000 work hours.

Environmental studies at Cozamin Mine have shown that flotation tailings and some types of waste rock have the potential to generate acidic drainage. Construction activities as a part of the expansions have reduced identified sources of acidic drainage associated with the historic tailings impoundment as well as downstream contamination due to tailings spills by previous operators.

An environmental management and monitoring program is currently underway and will be ongoing for the life of the mine. Data collected is used to define an operational environmental management and monitoring program, which includes appropriate management and mitigation plans based on the principle of continuous improvement. These are reviewed and revised as necessary, on at least an annual basis, with results reported as required to Mexican regulators.

Other issues of environmental concern relate to potential impacts comparable to those in underground mines of similar size with flotation tailings impoundments. These include: dust, tailings handling/management, storm water diversion, combustibles and reagent management/handling, waste management/disposal and noise.

Work to date indicates that environmental impacts are manageable. Cozamin Mine was awarded the Clean Industry Certification from Mexico's Federal Attorney for Environmental Protection (Procuraduría Federal de Protección al Ambiente or PROFEPA). The Cozamin Mine received this recognition annually from 2015 through 2020 for undertaking voluntary environmental audits that certify full compliance with Mexican federal environmental laws. Formal delivery of Cozamin Mine's certificate for 2022-2023 was suspended due to COVID-19. PROFEPA only recently reinitiated the certification process.

Cozamin Mine had no reportable environmental incidents in 2022.

(l) **Workforce**

The municipality of Zacatecas has a population of approximately 146,000 people and the region has a strong mining tradition, positioning Cozamin within a community broadly knowledgeable about mining's challenges and operational requirements, and with a supply of workers skilled in mining. Successful engagement with the local communities near the mine has been a cornerstone of the operation.

Cozamin personnel reside in adjacent communities and commute to the site.

Cozamin Mine currently employs approximately 1,200 personnel, with central support provided Capstone's head office in Vancouver.

(m) **Tenements**

The Cozamin Mine comprises 94 mining concessions covering 4,260 ha.

All required payments to keep the concessions in good standing have been made. Capstone holds the necessary surface rights required for mining operations and as required for exploration activities.

Further information on tenure can be found in section 4 of the Cozamin Technical Report.

(n) **Fiscal regime**

The Cozamin mine is subject to corporate taxes at a rate of 30% which is applied on taxable net income. In years that Cozamin incurs an operating loss for taxation purposes, the loss can be used to offset taxable income in future years, up to a maximum of 10 years.

Cozamin is also subject to a mining tax of 7.5% on the profit calculated by subtracting certain allowed deductions from gross earnings generated by the sales from extracting activities less deductions permitted by the Income Tax Law, not including deductions on investments (except those involved in mining prospecting and exploration), interest payable and an annual inflation adjustment. The Tax Reform also introduced a 0.5% mining tax on precious metals that is applied on gross taxable revenues from the sale of silver and gold.

(o) **2023 performance**

2023 production was consistent with 2022. Lower mill throughput as a result of a change in mining method (from all long-hole to a mix of long-hole and cut-and-fill) in Q1 2023 and mill shutdown in Q3 2023 (3,639 tpd in 2023 versus 3,803 tpd in 2022) was offset by higher grades (1.89% in 2023 versus 1.87% in 2022). Recoveries were consistent with the same period last year.

2023 C1 Cash Costs were 40% higher than the same period last year primarily due to the change in mining method which resulted in an increase in contractor utilisation and higher spend on bolting, and unfavourable foreign exchange rate (US$0.44/lb) and higher treatment costs (US$0.05/lb).

2.5 Growth projects

2.5.1 Overview

Capstone is currently implementing several growth projects across the portfolio with a target of increasing group production (100% basis) to approximately 260 ktpa run-rate once MVDP has completed ramp up, and subsequently to >380 ktpa once the Santo Domingo Project enters commercial production in line with the Santo Domingo Technical Report. Such increases in production would be expected to result in significantly lowered group C1 Cash Costs.

As MVDP and the Santo Domingo Project are integrated into the broader portfolio, the proportion of cathode-based copper production is expected to decrease, resulting in a higher quality, higher margin sulphide-dominant portfolio. Approximately 90% of Capstone's copper production is expected to result from sulphide ore processing once MVDP and the Santo Domingo Project are in commercial production.

2.5.2 Pinto Valley Mine – district consolidation

Capstone continues to review and evaluate the consolidation potential surrounding the Pinto Valley Mine in the Globe-Miami district.

Opportunities under evaluation include a potential mill expansion and increased leaching capacity supported by optimised water, heap and dump leach, and tailings infrastructure. District consolidation could unlock significant ESG opportunities and may transform the approach to value creation for all stakeholders in the Globe-Miami District. Constructive discussions with key district stakeholders advanced during 2023.

2.5.3 Cozamin Mine - increased productivity and potential LOM extension

Capstone released an updated mine plan for the Cozamin Mine in 2023, detailed in the Cozamin Technical Report. Based on Capstone's experience mining the MNFWZ orebody at Cozamin Mine to date, Capstone believes the combination of mining methods outlined in the Cozamin Technical Report will result in optimal mine performance, particularly in ore extraction. Furthermore, as Cozamin Mine 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 Cozamin Technical Report outlines a number of opportunities to expand the mine that are not included in the LOM plan and are not reflected in the Mineral Reserve Estimate as of 1 January 2023, including: 1) through exploration on drill targets open to the southeast, northwest, and down-dip (at depth), by converting material classified as Inferred Mineral Resources with additional drilling and studies, 2) through the implementation of selective mining techniques to decrease dilution and lower mining costs, and 3) through enhanced pillar recovery, leveraging the benefits of the paste backfill plant.

2.5.4 Mantos Blancos

(a) **Mantos Blancos Mine Concentrator Debottlenecking Project (Completed)**

The Mantos Blancos Mine underwent a transformation into a sustainable long-term operation following Mantos Copper's acquisition in 2015 from Anglo American, with mine life extended from six years at acquisition to 17 years in 2021.

Capstone proposed the MBCDP to debottleneck the project and expand Mantos Blancos Mine's 4.2 Mtpa sulphide concentrator to 7.3 Mtpa. Construction for the MBCDP sulphide process plant commenced under an EPC Lump Sum Turnkey contract in 2019 and completed in late 2022. The MBCDP was designed to increase throughput capacity from 12.5 ktpd to 20 ktpd with the focus of shifting towards the larger, lower cost sulphide deposit.

(b) Mantos Blancos Phase II

The Mantos Blancos Phase II project is currently under evaluation and considers an expansion of the concentrator throughput. In 2023, it was decided to defer the Phase II project engineering study to allow additional time to evaluate alternative technical approaches to the expansion, which could potentially result in a more optimal final configuration and nameplate capacity. It is expected that a new concept for Mantos Blancos Phase II will be proposed in 2025.

The source of material for the increased throughput corresponds to potential mineral inventory identified during pit optimisation. The current Mineral Reserve Estimate for the Mantos Blanco Mine was constrained by the low-grade pit shell using a revenue factor (ratio of incremental cost to incremental revenue) of 0.92 as a guide for the final pit design. The difference between the pit shell obtained at revenue factor 1.0 and the current production based on a revenue factor 0.92 will be available for MB Phase II. An additional pushback was designed (preliminary design) and the new plant feed schedule may consider lowering the cut-off grade to the marginal value, instead of the strategy adopted for the Mineral Reserves Estimate.

Capstone is also assessing the potential to extend dump leaching operations at the Mantos Blancos Mine. Dump leaching at the Mantos Blancos Mine started in 2012 leaching the Mercedes Mineralised Stockpile. The oxide mineralised stockpile was initially determined by analysing the origin from the mine and the cut-off grade used during the dumping process. Later, a sampling process using trenches and sonic drilling was used to confirm the grade values of the material, allowing the conversion of this material to Mineral Reserves. Production from the dump leach has historically averaged approximately 12 ktpa of copper.

As part of operational practices, the Mantos Blancos Mine will continue with waste dump sampling from the East Dump, North-East Dump, South-East, Argentina Dump and the Ripios, to continue with the dump leach process.

Near-mine opportunities exist to add additional oxides and sulphides Mineral Resources, and to upgrade existing high-grade Inferred Mineral Resources through additional drilling below the current pit limit.

2.5.5 Mantoverde Mine

(a) Mantoverde Development Project

The Mantoverde Development Project (**MVDP**) is a sulphide expansion project currently being completed at the Mantoverde Mine to allow for the processing of 231 Mt of copper sulphide reserves over a 20-year expected mine life, in addition to existing oxide reserves. Expansion consists of the construction of a 12.3 Mtpa (32 ktpd) sulphide mill, associated TSF and expansion of the existing desalination plant. Construction of all elements of the MVDP that were required to commence commissioning were completed during the fourth quarter of 2023. Commissioning activities are underway, and Capstone is focused on a safe, efficient and phased project commissioning and ramp-up through the first half of 2024.

Following completion of the MVDP, costs at the Mantoverde Mine are expected to reduce, driven by the mine’s transition to becoming a primary producer of copper concentrate. Upon completion of the MVDP, approximately 75% of Mantoverde Mine’s copper production will come from lower-cost sulphide ore processing. The mine will also benefit from the production of gold that is expected to generate meaningful by-product credits.

MVDP is progressing under a lump-sum turn-key engineering, procurement, and construction (**EPC**) contract with Ausenco Pty 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 Capstone's owner's team working with the contractors during the execution phase. The contract with Ausenco includes the project commissioning and ramp-up.

(b) **MVDP Optimized**

Capstone has identified that the desalination plant capacity and major components of the comminution and flotation circuits of the MVDP are capable of sustaining average annual throughput of approximately 45 ktpd (16.4 Mtpa), over 40% above the nominal base case throughput capacity of 32 ktpd (12.3 Mtpa) with no major capital equipment upgrades. The project also considers the conversion of the copper oxide heap leach facility into a bio-oxidation facility to improve recovery of primary and secondary sulphide copper. Capstone continues to work with Ausenco's engineering team to develop the MVDP Optimized Feasibility Study (**MVDP Optimized**), including evaluating the costs and timelines of debottlenecking the minor components of the plant to meet the potential increased throughput target. The conceptual engineering study was completed in Q2 2023 and the Feasibility Study is expected to be completed in the first half of 2024.

(c) **MVDP Phase II**

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 1.0 billion tonnes of Mineral Resources not forming part of Mineral Reserves. 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.

(d) **Mantoverde-Santo Domingo Cobalt Study**

A district cobalt plant for Mantoverde-Santo Domingo may allow for low-cost by-product cobalt production while reducing sulphuric acid consumption and increasing heap leach copper production.

The cobalt recovery process comprises a pyrite flotation step to recover cobaltiferous pyrite from MVDP tails and redirect it to the dynamic heap leach pads, which will be upgraded to a bio-leach configuration through the addition of an aeration system. The pyrite oxidises in the leach pads and the solubilised cobalt is recovered via an ion exchange plant treating a bleed stream from the copper solvent extraction plant. The approach has been successfully demonstrated at the bench scale, and onsite piloting commenced in January 2024. Engineering has commenced for a small plant treating only Mantoverde pyrite concentrates to produce up to approximately 1,500 tpa of contained cobalt. In line with this, Santo Domingo has initiated a Feasibility Study to assess, as part of the copper/iron circuit overall layout optimisation being conducted by Ausenco, the optimum process configuration for the pyrite flotation and pumping transportation facilities needed to transport pyrite concentrate to Mantoverde's leach facilities.

At a combined MV-SD target of 4.5 to 6.0 thousand tpa of mined cobalt production, this would be one of the largest and lowest cost cobalt producers in the world, outside of Indonesia and the Democratic Republic of the Congo.

2.5.6 Santo Domingo Project

(a) Mantoverde-Santo Domingo integration plan (MV-SD)

The fully-permitted Santo Domingo Project is located 35 km northeast of the Mantoverde Mine which is currently undergoing expansion. Following the completion and successful ramp-up of MVDP, Capstone's next phase of transformational growth will be a construction decision and integration of Santo Domingo Project with the Mantoverde Mine. Capstone aims to create a 200ktpa (consolidated Mantoverde and Santo Domingo) world-class mining district in the Atacama region of Chile.

The combination of key infrastructure already in place alongside an experienced mine build and operating team significantly de-risks the future development of the district.

Capstone's Base Case plan for MV-SD includes the completion and successful ramp-up of MVDP, a sanctioning decision followed by construction of the Santo Domingo Project's copper-iron project, and completion of upgrades to the existing water and power infrastructure proximal to both projects.

MV-SD district integration plan:

- Water and Power Infrastructure: A plan to expand the existing Mantoverde desalination plant to 840 litres per second, utilisation of existing water pipelines, and upgraded energy transmission capacity provides the infrastructure foundation to support Capstone's district growth opportunities.

- Port Infrastructure: Opportunity to significantly reduce the Mantoverde Mine's concentrate trucking costs by using the planned Santo Domingo Project port located 65 km from Mantoverde Mine (versus Puerto Angamos, which is 475 km away).

- Integrated Operations: Potential to lower MV-SD district operating costs by streamlining the organisational chart across both operations, increasing purchasing power given district scale, and standardising equipment to promote productivity gains. Decades of technical and operating experience in Chile provide a unique opportunity to significantly de-risk the execution of Santo Domingo Project with a proven project delivery team from the Mantos Blancos Mine and the Mantoverde Mine.

Integrating the Mantoverde Mine and Santo Domingo Project has the potential to unlock significant operating cost savings, while also saving on infrastructure capital costs and tax synergies through reinvestment in Chile.

Capstone has continued working on components to inform an updated Feasibility Study with contributions from third parties. The updated Technical Report is expected to be delivered in the first half of 2024. Capstone does not anticipate making a decision to approve the Santo Domingo Project for development prior to mid-2025.

(b) Santo Domingo Project Oxides

Potential additional copper production, by leaching copper oxides at the Santo Domingo Project and processing the concentrated solutions at the Mantoverde Mine's underutilised SX-EW facility. The potential increase in production is expected to come from Santo Domingo Project's oxide mineralisation, much of which is in the pre-strip, providing an operating cost advantage. See Section 2.5.5(d) for further information.

(c) **Santo Domingo Project Cobalt**

Refer to Section 2.5.5(d) for further information regarding the district cobalt plant for the Mantoverde Mine and Santo Domingo Project.

2.5.7 Exploration update

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 also has a portfolio of 100% owned claims acquired by staking in Sonora, Mexico and in Northern Chile.

Cozamin Mine: Infill drilling at the Mala Noche Main Vein West Target resumed in Q4 2023 utilising two underground rigs positioned from the newly completed Level 19.1 cross-cut. Limited additional infill drilling at Mala Noche Main Vein West Target will be conducted in Q1 2024 to support an updated mineral resource estimate in 2024.

Mantoverde and Mantos Blancos Districts, Chile: during the second half of 2023, exploration activities focused on reviewing historic data, limited field work, IP surveys, and rock geochemistry to support additional targeting for near-mine and resource expansion opportunities.

2.6 Guidance

2.6.1 Copper production and costs

For the full year 2024, Capstone expects to produce between 190 and 220 tonnes of copper at a C1 Cash Cost[4] of between US$2.30 and US$2.50 per payable pound of copper produced.

[4] These are non-IFRS financial measures. See Section 3.8 for more information.

Table 15: Capstone's 2024 production and costs guidance

	H1 2024		H2 2024		Full year 2024 guidance	
	Copper Production ('000s) tonnes	C1 Cash Costs (2) (US$ per payable lb Cu produced (3)	Copper Production ('000s) tonnes	C1 Cash Costs (2) (US$ per payable lb Cu produced (3)	Copper Production ('000s) tonnes	C1 Cash Costs (2) (US$ per payable lb Cu produced2
Sulphides business						
Pinto Valley	28 – 30	$2.60 - $2.80	30 – 34	$2.40 - $2.60	58 – 64	$2.50 - $2.70
Cozamin	11 – 12	$1.90 - $2.10	11 – 12	$1.85 - $2.05	22 – 24	$1.85 - $2.05
Mantoverde (3)	_ (4)	_ (4)	25 – 35	$1.45 - $1.75	25 – 35 (4)	$1.45 - $1.75 (4)
Mantos Blancos	20-24	$2.55 - $2.75	23 – 25	$1.90 - $2.10	43 – 49	$2.10 - $2.30
Total sulphides	**59 – 66**	**$2.45 - $2.65**	**89 – 106**	**$2.00 - $2.20**	**148 – 172**	**$2.10 - $2.30**
Cathode business						
Mantoverde (3)	18 – 20	$3.35 - $3.55	18 – 20	$3.10 - $3.30	36 – 40	$3.20 - $3.40
Mantos Blancos	3 – 4	$2.85 - $3.05	3 – 4	$2.10 - $2.30	6 – 8	$2.45 - $2.65
Total Cathodes	**21 – 24**	**$3.25 - $3.45**	**21 – 24**	**$2.90 - $3.10**	**42 – 48**	**$3.10 - $3.30**
Consolidated Copper production	**80-90**	**$2.65 - $2.85**	**110 – 130**	**$2.10 - $2.30**	**190 – 220**	**$2.30 - $2.50**

NOTES
1. These are non-IFRS financial measures. See Section 3.8 for more information.
2. Key C1 Cash Costs input assumptions are: CLP/US$: 875:1; Mozambican metical/US$: 18:1; Silver: US$23/oz; Molybdenum: US$18/lb; Gold: US$1,850/oz.
3. Mantoverde production shown on a 100% basis.
4. Production and C1 Cash Costs guidance not provided during the ramp-up of Mantoverde Development Project in H1 2024.

(b) Pinto Valley Mine

An increase in copper production compared to 2023 is forecasted based on higher mill availability. Copper grades and recoveries are expected to be relatively consistent year-over-year. Production is weighted towards the second half of the year driven by higher copper grades.

(c) Cozamin Mine

Production is expected to be similar compared to 2023. Costs in 2024 are forecasted to be higher than those in 2023 driven by a higher proportion of cut-and-fill mining methods compared to longhole stoping, along with a stronger Mexican peso.

(d) Mantoverde Mine

Production volumes at the Mantoverde Mine are forecasted to significantly increase in 2024 driven by the ramp-up of MVDP. The Company has not provided sulphide production or C1 Cash Cost guidance for the first half of 2024 during the commissioning and ramp-up period. MVDP is based on a conventional flowsheet and the Company expects a typical project ramp-up led by Ausenco and Capstone's operating team. First ore was fed through the primary crushing circuit during Q4 2023. First ore to the grinding circuit is expected during Q1 2024. First saleable concentrate is expected during Q2 2024.

For the second half of 2024, Capstone has provided the Mantoverde Mine sulphides copper production guidance of 25 to 35 thousand tonnes of copper. Capstone expects the sulphide concentrator to achieve its nameplate operating throughput rates during Q3 2024.

Cathode production is expected to be consistent year-over-year, with a decline in costs driven by lower sulphuric acid prices and an allocation of certain overhead costs to the sulphide business.

(e) Mantos Blancos Mine

Production volumes at the Mantos Blancos Mine are forecasted to increase in 2024 due to higher mill throughput. During the first half of 2024, the focus will be on receiving and installing the engineering and infrastructure upgrades in the tailings dewatering area of the plant. The Company expects the Mantos Blancos Mine to achieve its nameplate operating throughput rates late in the second quarter. Sulphide costs are expected to decrease in the second half of the year driven by higher production volumes.

2.6.2 Capital and exploration

In 2024, the Company plans to spend a total of US$275 million in sustaining and expansionary capital expenditures at its operating mines and the Santo Domingo Project. This is broken down into US$195 million on sustaining capital and US$80 million on expansionary capital, of which US$65 million relates to MVDP. The MVDP total capital cost estimate of US$870 million is unchanged. The sustaining and expansionary capital expenditures guidance includes US$60 million of spending related to ESG initiatives, largely related to strengthening tailings storage facilities at the Pinto Valley Mine, the Mantoverde Mine, and the Mantos Blancos Mine, as well as improving tailings stewardship as the Company works towards implementing the Global Industry Standard for Tailings Management by year end 2028. The Mantos Blancos Mine sustaining capital spend includes approximately US$35 million to achieve sustainable nameplate operating rates, including US$15 million identified above related to tailings.

At the Santo Domingo Project, Capstone plans to spend US$15 million in 2024 to complete the Feasibility Study, which is anticipated to be released by mid-2024. During 2024, the Company plans to progress project partnership discussions and its financing strategy. A potential project sanctioning decision is not anticipated prior to mid-2025.

Table 16: Capstone's 2024 capital expenditure guidance

	Pinto Valley	Cozamin	Mantoverde[2]	Mantos Blancos	Santo Domingo	Total
Capital expenditure (US$ millions)						
Sustaining capital[1]	70	25	40	60	-	195
Expansionary capital[1]	-	-	65	-	15	80
Total capital expenditure	**70**	**25**	**105**	**60**	**15**	**275**

NOTES
1. These are non-IFRS financial measures. See Section 3.8 for more information.
2. Mantoverde shown on a 100% basis.

In addition, the Company plans to spend a total of $180 million in capitalised stripping at its three open pit mines.

Table 17: Capstone's 2024 capitalised stripping guidance

	Pinto Valley	Mantoverde[1]	Mantos Blancos	Total
Capitalised stripping (US$ millions	40	75	65	180

NOTES

1. Mantoverde shown on a 100% basis.

A portion of waste material mined at the Mantos Blancos Mine and Mantoverde Mine in 2024 is considered eligible for capitalisation as a stripping asset under Capstone's accounting policies. In the Technical Reports for the Mantoverde Mine and the Mantos Blancos Mine, the costs associated with mining this waste material were considered to be operating costs. Total tonnes mined and rehandled have not changed significantly compared to the Technical Reports, only the classification between operating costs and capitalised stripping.

The Company plans to spend US$15 million in brownfield and greenfield exploration activities in 2024. The brownfields exploration is focused on resource conversion at the Pinto Valley Mine, the Mantoverde Mine, and the Mantos Blancos Mine. The greenfield exploration relates to expansionary work at the Mantoverde Mine.

2.7 Mineral Resource and Mineral Reserve estimates

A summary of Capstone's estimates of Mineral Resources and Mineral Reserves is set out below. Extracts from this summary are also set out in Section 2 in respect of each of Capstone's Projects.

Capstone will release updated estimates of Mineral Resources and Mineral Reserves in the ordinary course following the Prospectus Date, with changes only anticipated to be as a result of depletion arising from mining activities. Investors should refer to Capstone's Website, the ASX market announcements platform (ASX:CSC) and Capstone's profile on SEDAR+ at www.sedarplus.ca for updates in due course.

The technical information contained in this Prospectus relating to Capstone's mining projects has been prepared in accordance with NI 43-101 and is not reported in accordance with the JORC Code. Investors should refer to the cautionary statement and high level comparison between the JORC Code and NI 43-101 outlined in Section 8.10 when considering the technical information contained in this Prospectus.

2.7.1 Consolidated estimated Mineral Resources

	Category	kt	Tcu %	SCu %	Zn %	Pb %	Mo %	Ag g/t	Au g/t	Fe %	Co ppm	S %	Cu kt	Zn kt	Pb kt	Mo kt	Ag koz	Au koz	Fe kt	Co kt
Pinto Valley [3]	**Measured**	599,098	0.33	-	-	-	0.006	-	-	-	-	-	1,949	-	-	37	-	-	-	-
31-Dec-2022	**Indicated**	744,783	0.26	-	-	-	0.005	-	-	-	-	-	1,946	-	-	39	-	-	-	-
	M&I	**1,343,882**	**0.29**	**-**	**-**	**-**	**0.006**	**-**	**-**	**-**	**-**	**-**	**3,896**	**-**	**-**	**76**	**-**	**-**	**-**	**-**
	Inferred	164,224	0.26	-	-	-	0.005	-	-	-	-	-	431	-	-	9	-	-	-	-
Cozamin [4]	**Measured**	400	1.25	-	1.23	0.40	-	53.8	-	-	-	-	5	5	2	-	692	-	-	-
1-Jan-2023	**Indicated**	19,264	1.59	-	1.08	0.41	-	46.8	-	-	-	-	306	207	79	-	28,970	-	-	-
	M&I	**19,664**	**1.58**	**-**	**1.08**	**0.41**	**-**	**46.9**	**-**	**-**	**-**	**-**	**311**	**212**	**81**	**-**	**29,662**	**-**	**-**	**-**
	Inferred	12,283	0.72	-	1.97	0.83	-	38.3	-	-	-	-	88	242	102	-	15,123	-	-	-
Santo Domingo [5]	**Measured**	65,981	0.61	-	-	-	-	-	0.08	30.9	254	2.3	402	-	-	-	-	172	20,386	17
13-Feb-2020	**Indicated**	470,567	0.26	-	-	-	-	-	0.03	25.0	225	1.9	1,205	-	-	-	-	499	117,444	106
	M&I	**536,548**	**0.30**	**-**	**-**	**-**	**-**	**-**	**0.04**	**25.7**	**229**	**2.0**	**1,604**	**-**	**-**	**-**	**-**	**673**	**137,828**	**123**
	Inferred	47,903	0.19	-	-	-	-	-	0.02	23.6	197	2.2	91	-	-	-	-	38	11,306	9
Mantoverde [6]	**Measured**	225,243	0.56	-	-	-	-	-	0.10	-	-	-	1,257	-	-	-	-	712	-	-
Sulphides + Mixed	**Indicated**	374,320	0.41	-	-	-	-	-	0.10	-	-	-	1,527	-	-	-	-	1,195	-	-
(Flotation)	**M&I**	**599,563**	**0.46**	**-**	**-**	**-**	**-**	**-**	**0.10**	**-**	**-**	**-**	**2,784**	**-**	**-**	**-**	**-**	**1,907**	**-**	**-**
	Inferred	605,434	0.37	-	-	-	-	-	0.08	-	-	-	2,229	-	-	-	-	1,547	-	-
Oxides + Mixed	**Measured**	256,626	-	0.22	-	-	-	-	-	-	-	-	555	-	-	-	-	-	-	-
(Dump+Heap Leach)	**Indicated**	219,962	-	0.19	-	-	-	-	-	-	-	-	407	-	-	-	-	-	-	-
	M&I	**476,588**	**-**	**0.20**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**962**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
31-Dec-2022	**Inferred**	70,721	-	0.15	-	-	-	-	-	-	-	-	108	-	-	-	-	-	-	-
Mantos Blancos [7]	**Measured**	96,675	0.74	-	-	-	-	5.8	-	-	-	-	715	-	-	-	18,090	-	-	-
Sulphides + Mixed	**Indicated**	109,698	0.57	-	-	-	-	4.3	-	-	-	-	625	-	-	-	15,236	-	-	-
(Flotation)	**M&I**	**206,373**	**0.65**	**-**	**-**	**-**	**-**	**5.0**	**-**	**-**	**-**	**-**	**1,341**	**-**	**-**	**-**	**33,326**	**-**	**-**	**-**
	Inferred	22,490	0.47	-	-	-	-	3.3	-	-	-	-	106	-	-	-	2,350	-	-	-
Oxides + Mixed	**Measured**	22,541	-	0.34	-	-	-	-	-	-	-	-	77	-	-	-	-	-	-	-
(Dump Leach)	**Indicated**	97,440	-	0.18	-	-	-	-	-	-	-	-	171	-	-	-	-	-	-	-
	M&I	**119,981**	**-**	**0.21**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**248**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
31-Dec-2022	**Inferred**	23,565	-	0.19	-	-	-	-	-	-	-	-	45	-	-	-	-	-	-	-
TOTAL MEASURED & INDICATED MINERAL RESOURCES													**11,146**	**212**	**81**	**76**	**62,988**	**2,580**	**137.828**	**123**
TOTAL INFERRED MINERAL RESOURCES													**3,097**	**242**	**102**	**9**	**17,473**	**1,585**	**11,306**	**9**

NOTES

1. **Cautionary statement:** The technical information contained in this Prospectus relating to Capstone's mining projects has been prepared in accordance with NI 43-101 and is not reported in accordance with the JORC Code. Investors should refer to the cautionary statement and high level comparison between the JORC Code and NI 43-101 outlined in Section 8.10 when considering the technical information contained in this Prospectus.
2. **Reporting basis:** Mineral Resources take into account mining activities to 31 December 2022, where applicable, and are reported insitu, using the 2014 CIM Definition Standards. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Mineral Resources are reported inclusive of the Mineral Reserves. All Mineral Resources are

exclusive to dilution and mining recovery factors. All contained metals are reported at 100% except as stated. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content. Grade Tcu% refers to total copper grade in percent sent to the mill for metallurgical recovery by flotation. Grade Scu% refers to soluble copper grade in percent sent to the leaching processes. Grade Tcu% refers to insoluble copper grade in percent, based on Tcu% minus Scu%. Contained ounces (oz) are troy ounces. COG is cut-off grade. NSR is net smelter return. M&I = Measured & Indicated. All amounts in US$ unless otherwise specified. Stockpiled material is treated as Mineral Resources, described below.

3. **Pinto Valley Mine:** Garth Kirkham, P.Geo., FGC is the Qualified Person responsible for the Mineral Resource presented in the Pinto Valley Technical Report, effective 31 March 2021. Klaus Triebel, GPG, Chief Resource Modeler at Pinto Valley Mine, oversaw depletion of the of Mineral Resource for mining activities as at December 31, 2022. Mineral Resources are reported at a 0.14% Cu cut-off grade. Economic assumptions for the reasonable prospects pit include: US$3.50/lb Cu, US$10.00/lb Mo, 84.6% Cu recovery, 8.9% Mo recovery, US$1.74/tonne mining costs, US$1.13/tonne G&A costs, US$0.88/tonne operational support costs, US$4.67/tonne milling costs, and pit slopes by rock type. Stockpile material is included as Measured Mineral Resource. Pinto Valley Mine is an open-pit mine with mineral processing by flotation.

4. **Cozamin Mine:** Clay Craig, P.Eng., Director, Mining & Strategic Planning at Capstone Copper is the Qualified Person responsible for the Mineral Resource in the Cozamin Technical Report, effective 1 January 2023. Mineral resources are reported at a cut-off of NSR US$59/tonne. Metallurgical recoveries used in the NSR formulae are based on mineralisation. Metallurgical recoveries vary by domain and NSR formula. Copper-silver dominant zones use the NSR formula: (Cu%*US$70.72 + Ag g/tUS$0.53) * (1-NSR 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%*US$69.74 + Ag g/t*US$0.50 + Zn%*US$12.96) * (1-NSR 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 g/t*US$0.35 + Zn%*US$16.80 + Pb%*US$15.11) * (1-NSR Royalty%). Zinc– silver dominant zones use the following metallurgical recoveries: 66.50% Ag, 86.79% Zn, and 92.86% Pb. The NSR formula for MNV zinc zones is (Ag*0.241 + Zn*15.511 + Pb*12.993)*(1- NSRRoyalty%) using metallurgical recoveries of 55% Ag, 80% Zn and 80% Pb. The NSR formula for MNV copper-zinc zones is (Cu*69.739 + Ag*0.498 + Zn*12.956)*(1-NSRRoyalty%) using metallurgical recoveries of 95% Cu, 85% Ag and 67% Zn. The formulae include consideration of confidential current smelter contract terms, transportation costs and 1-3% net smelter return royalty payments. Metal price assumptions (in US$) used to calculate the NSR for all deposits are: US$3.75/lb Cu, US$22.00/oz Ag, US$1.35/lb Zn and US$1.00/lb Pb. An exchange rate of Mexican peso20 per US$1 is assumed. The NSR cut-off is based on operational mining and milling costs plus general and administrative costs. The Mineral Resource Estimate encompasses both the MNFWZ and the MNV. 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. All metals are reported as contained.

5. **Santo Domingo Project:** David Rennie, P. Eng., an associate of SLR Consulting (Canada) Ltd. Is the independent Qualified Person responsible for the Mineral Resource estimates for the Santo Domingo Sur, Iris, Iris Norte and Estrellita deposits, effective 13 February 2020. Mineral Resources for the Santo Domingo Sur, Iris, Iris Norte and Estrellita deposits are reported using a cut-off grade of 0.125% copper equivalent (Cu-eq). Cu-eq grades are calculated using average long-term prices of US$3.50/lb Cu, US$1,300/oz Au and US$99/(dmt) Fe conc. The Cu-eq equation is: % Cu Equivalent = (Cu Metal Value + Au Metal Value + Fe Metal Value) / (Cu Metal Value per percent Cu). The general equation for metal value is: Metal Value = Grade * Cm * R * (Price – TCRC – Freight) * (100 – Royalty) / 100, were Cm is a constant to convert the grade of metal to metal price units, R is metallurgical recovery, and TCRC is smelter treatment charges and penalties. Only copper, gold and iron were recognised in the Cu-eq calculation; cobalt and sulphur were excluded. Note that the Fe grade includes all sources of Fe rather than only magnetite. Mineral Resources are constrained by preliminary pit shells derived using a Lerchs–Grossmann algorithm and the following assumptions: pit slopes averaging 45°; mining cost of US$1.90/t, processing cost of US$7.27/t (including G&A cost); processing recovery of 89% copper and 79% gold, iron recoveries are calculated based on magnetic susceptibility; and metal prices of US$3.50/lb Cu, US$1,300/oz Au and US$99/dmt Fe concentrate. Copper, iron and sulphur are reported as percentages, gold as grams per tonne and cobalt as parts per million. No formal production has occurred from the Santo Domingo property area. Santo Domingo Project Mineral Resources shown on 100% basis (Capstone's share is 100% as of 25 March 2021).

6. **Mantoverde Mine:** Ronald Turner, MAusIMM (CP), a WSP employee, is the independent Qualified Person responsible for the Mineral Resource in the Mantoverde Technical Report effective 29 November 2021. Luis Tapia Hurtado, CP CMC, Resource and Reserve Evaluation Geologist at Mantos Copper, oversaw depletion of the Mineral Resource for mining activities as at 31 December 2022. Mineral Resources are reported on a 100% basis. The attributable percentage to Mantos Copper Holding SpA is 69.993%. COG varies per zone and recovery process:
   a. Flotation: Sulphide: tCu ≥0.20%, Mixed: tCu ≥0.22% and sCu/tCu ≤50%
   b. Dump Leach: Oxide: 0.10%≤sCu<0.17%, Mixed: 0.10%≤sCu<0.17% and sCu/tCu >50%
   c. Heap Leach: Oxide: sCu≥0.17%, Mixed: sCu≥0.17% and sCu/tCu >50%
   Flotation recovery is based on a geometallurgical model, 90.8% tCu and 67.9% Au average. Heap Leach recovery is 79.2% average. Dump recovery is based on operating data 39.4%sCu. The Mineral Resource pit is based on US$3.75/lb Cu.

7. **Mantos Blancos Mine:** Ronald Turner, MAusIMM (CP), a WSP employee, is the independent Qualified Person responsible for the Mineral Resource in the Mantos Blancos Technical Report effective 29 November 2021. Luis Tapia Hurtado, CP CMC, Resource and Reserve Evaluation Geologist at Mantos Copper, oversaw depletion of the Mineral Resource for mining activities as at 31 December 2022. Mineral Resources are reported on a 100% basis. The attributable percentage to Mantos Copper Holding SpA is 99.993%. COG varies by metallurgical

process: Flotation at 0.22% Insoluble Cu, Dump Leach at 0.10% Soluble Cu. The Mineral Resource pit is based on US$3.75/lb Cu and US$20.00/oz Ag. Flotation recovery is based on a geometallurgical model, 83.4% tCu and 70.7% Ag as average. Dump recovery is based on operation data 40% sCu. Through the Osisko silver production agreement, Osisko Gold has the right to buy 100% of the silver production in concentrate, less specified deductions, until reaching 19,300,000 ounces and subsequently 40% paying 92% of the market price. Stockpiled material is included in the Probable Mineral Reserve.

2.7.2 Consolidated estimated Mineral Reserves

		MINERAL RESERVES										CONTAINED METAL						
	Category	kt	Tcu %	Scu %	Icu %	Zn %	Pb %	Mo %	Ag g/t	Au g/t	Fe %	Cu kt	Zn kt	Pb kt	Mo kt	Ag koz	Au koz	Fe Mt
Pinto Valley [3]	**Proven**	226,353	0.34	-	-	-	-	0.007	-	-	-	764	-	-	15	-	-	-
31-Dec-2022	**Probable**	121,109	0.29	-	-	-	-	0.006	-	-	-	347	-	-	7	-	-	-
	Total	**347,462**	**0.32**	**-**	**-**	**-**	**-**	**0.006**	**-**	**-**	**-**	**1,111**	**-**	**-**	**23**	**-**	**-**	**-**
Cozamin [4]	**Proven**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1-Jan-2023	**Probable**	10,210	1.65	-	-	0.54	0.29	-	43.4	-	-	168	55	29	-	14,258	-	-
	Total	**10,210**	**1.65**	**-**	**-**	**0.54**	**0.29**	**-**	43.4	**-**	**-**	**168**	**55**	**29**	**-**	**14,258**	**-**	**-**
Santo Domingo [5]	**Proven**	65,390	0.61	-	-	-	-	-	-	0.08	30.9	398	-	-	-	-	170	8
	Probable	326,936	0.24	-	-	-	-	-	-	0.03	27.6	768	-	-	-	-	337	67
13-Feb-2020	**Total**	**392,326**	**0.30**	**-**	**-**	**-**	**-**	**-**	**-**	**0.04**	**28.2**	**1,167**	**-**	**-**	**-**	**-**	**507**	**75**
Mantoverde [6]	**Proven**	172,210	0.62	-	-	-	-	-	-	0.11	-	1,067	-	-	-	-	609	-
Sulphides + Mixed	**Probable**	64,066	0.51	-	-	-	-	-	-	0.11	-	327	-	-	-	-	227	-
(Flotation)	**Total**	**236,276**	**0.59**	**-**	**-**	**-**	**-**	**-**	**-**	**0.11**	**-**	**1,394**	**-**	**-**	**-**	**-**	**836**	**-**
Oxides + Mixed	**Proven**	161,973	-	0.23	-	-	-	-	-	-	-	374	-	-	-	-	-	-
(Dump+Heap Leach)	**Probable**	59,142	-	0.20	-	-	-	-	-	-	-	118	-	-	-	-	-	-
31-Dec-2022	**Total**	**221,115**	**-**	**0.22**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**492**	**-**	**-**	**-**	**-**	**-**	**-**
Mantos Blancos [7]	**Proven**	64,952	0.76	0.09	0.66	-	-	-	6.2	-	-	494	-	-	-	12,884	-	-
Sulphides + Mixed	**Probable**	50,730	0.54	0.08	0.46	-	-	-	4.3	-	-	274	-	-	-	7,077	-	-
(Flotation)	**Total**	**115,682**	**0.66**	**0.09**	**0.58**	**-**	**-**	**-**	**5.4**	**-**	**-**	**768**	**-**	**-**	**-**	**19,961**	**-**	**-**
Oxides + Mixed	**Proven**	2,224	-	0.34	-	-	-	-	-	-	-	8	-	-	-	-	-	-
(Dump Leach)	**Probable**	2,422	-	0.24	-	-	-	-	-	-	-	6	-	-	-	-	-	-
31-Dec-2022	**Total**	**4,646**	**-**	**0.29**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL MINERAL RESERVES												**5,114**	**55**	**29**	**23**	**34,219**	**1,343**	**75**

NOTES

1. **Cautionary statement:** The technical information contained in this Prospectus relating to Capstone's mining projects has been prepared in accordance with NI 43-101 and is not reported in accordance with the JORC Code. Investors should refer to the cautionary statement and high level comparison between the JORC Code and NI 43-101 outlined in Section 8.10 when considering the technical information contained in this Prospectus.

2. **Reporting basis:** Mineral Reserves take into account mining activities as stated, where applicable. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content. Grade Tcu% refers to total copper grade in percent sent to the mill for metallurgical recovery by flotation. Grade Scu% refers to soluble copper grade in percent sent to the leaching processes. Grade Icu% refers to insoluble copper grade in percent, based on Tcu% minus Scu%. All Mineral Reserve estimates take into account dilution and mining recovery factors. Contained ounces (oz) are troy ounces. COG is cut-off grade. NSR is net smelter return. All amounts in US$ unless otherwise specified. Stockpiled material is included in the Mineral Reserves, described below. See Technical Reports filed under Capstone's profile on SEDAR+ for further information..

3. **Pinto Valley Mine:** Clay Craig, P.Eng., Director, Mining & Strategic Planning at Capstone Copper, is the Qualified Person responsible for the Pinto Valley Mineral Reserve estimate effective 31 December 2022. Economic inputs to the block model were US$3.00/lb per pound copper, US$10.00/lb molybdenum, 86.0% average Cu recovery, 8.5% average Mo recovery, US$1.68/tonne average mining costs, US$1.13/tonne G&A costs, US$0.88/tonne Ops Support costs, US$4.67/tonne milling costs, and pit slopes by rock type. The Mineral Reserve is reported 0.19% copper. Stockpiled material is included as Proven Mineral Reserve. Pinto Valley Mine is an open-pit mine with mineral processing by flotation.

4. **Cozamin Mine:** Clay Craig, P.Eng., Director, Mining & Strategic Planning at Capstone Copper, is the Qualified Person for the Cozamin Mine Mineral Reserve effective 1 January 2023. 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. The Mineral Reserve is reported at or above a blended cut-off of US$60.54/t NSR for long-hole stoping and US$65.55/t NSR for cut-and-fill mining. 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 mineralisation and metallurgical recoveries. Copper-silver dominant zones use the NSR formula: (Cu*66.638 + Ag*0.484)*(1-NSRRoyalty%). MNFWZ zinc-silver zones use the NSR formula: (Ag*0.290 + Zn*13.723 + Pb*13.131)*(1-NSRRoyalty%). MNV zinc-silver dominant zones use the NSR formula: (Ag*0.228 + Zn*12.12 + Pb*11.363)*(1-NSRRoyalty%). Metal price assumptions of Cu = US$3.55/lb, Ag = US$20.00/oz, Pb = US$0.90/lb, Zn = US$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. Totals may not sum due to rounding.
5. **Santo Domingo Project:** Carlos Guzman, RM CMC, FAusIMM, an employee of NCL, is the independent Qualified Person for the Santo Domingo Mineral Reserve effective 14 November 2018. Mineral Reserves are reported as constrained within Measured and Indicated pit designs and supported by a mine plan featuring variable throughput rates and cut-off optimisation. The pit designs and mine plan were optimised using the following economic and technical parameters: metal prices of US$3.00/lb Cu, US$1,280/oz Au and US$100/dmt of Fe concentrate; average recovery to concentrate is 93.4% for Cu and 60.1% for Au, with magnetite concentrate recovery varying on a block-by-block basis; copper concentrate treatment charges of US$80/dmt, U$0.08/lb of copper refining charges, US$5.0/oz of gold refining charges, US$33/wmt and US$20/dmt for shipping copper and iron concentrates respectively; waste mining cost of $1.75/t, mining cost of US$1.75/t ore and process and G&A costs of US$7.53/t processed; average pit slope angles that range from 37.6° to 43.6°; a 2% royalty rate assumption and an assumption of 100% mining recovery. Tonnage measurements are in metric units. Copper and iron grades are reported as percentages, gold as grams per tonne. Contained gold ounces are reported as troy ounces, contained copper as thousand tonnes and contained iron as metric million tonnes. No formal production has occurred from the Santo Domingo property area. Santo Domingo Project Mineral Reserves shown on 100% basis (Capstone's share is 100% as of 25 March 2021).
6. **Mantoverde Mine:** Carlos Guzman, RM CMC, FAusIMM, an employee of NCL, is the independent Qualified Person responsible for the Mineral Reserve in the Mantoverde Technical Report effective November 29, 2021. Clay Craig, P.Eng., Director, Mining & Strategic Planning at Capstone Copper, oversaw depletion of the Mineral Reserve for mining activities as at December 31, 2022. Mineral Reserves are reported on a 100% basis using average off-site costs (selling cost) of US$0.28/lb for sulphides and US$0.30 for oxides and metal price assumptions of Cu = US$3.00/lb and Au = US$1,100/oz. Mineral Reserves are contained within an optimised pit shell. Mining will use conventional open pit methods and equipment and use a stockpiling strategy (direct mining costs are estimated by geological unit, averaging US$1.85/t of material mined). Processing costs were estimated by geometallurgical units (from UG1 to UG10) averaging US$7.28/t of milled material, including concentrator, tailings storage facility, port and desalination costs. Processing cost for material sent to the heap leach was US$6.28/t. For material sent to the run-of-mine dump leach, the processing cost was US$2.12/t. Total copper recoveries average 88.4% for sulphides and gold recoveries average 71.2%. Soluble copper recoveries average 75.0% for material sent to the heap leach and 42.5% for material sent to the dump leach process. Inter-ramp angles vary from 26˚ to 60˚. The life-of-mine strip ratio is 2.12 to 1.
7. **Mantos Blancos Mine:** Carlos Guzman, RM CMC, FAusIMM, an employee of NCL, is the independent Qualified Person responsible for the Mineral Reserve in the Mantos Blancos Mine Technical Report effective 29 November 2021. Clay Craig, P.Eng., Director, Mining & Strategic Planning at Capstone Copper, oversaw depletion of the Mineral Reserve for mining activities as at 31 December 2022. The Mineral Reserve is based on average off-site costs (selling cost) of US$0.27/lb for sulphides and US$0.42/lb for oxides. Mineral Reserves are contained within an optimised pit shell. The estimated Mineral Reserves are reported using metal prices of US$2.90/lb Cu and US$17/oz Ag. Mining will use conventional open pit methods and equipment and a stockpiling strategy (direct mining costs are estimated at the base bench at 900 MASL, averaging US$1.60/t of material mined). Processing costs average US$9.98/t of milled material, including concentrator, tailings storage facility and port costs. Processing cost for material sent to dump leach is US$1.47/t. tCu recovery averages 83.1% for sulphides and silver recoveries average 79.5%. sCu recovery averages 42% for material sent to the dump leach. Inter-ramp angles vary from 36˚ to 59˚. The life-of-mine strip ratio is 4 to 1. Through the Osisko silver production agreement, Osisko Gold has the right to buy 100% of the silver production in concentrate (less specified deductions) until reaching 19,300,000 ounces and subsequently 40% paying 92% of the market price. Stockpiled material is included in the Probable Mineral Reserve.

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3 FINANCIAL INFORMATION

3.1 Historical Financial Information

Annexed to this Prospectus are the audited consolidated financial statements of Capstone as at 31 December 2023 and 31 December 2022 (see Annexure A and Annexure B, respectively, to this Prospectus) (collectively, the **Historical Financial Information**).

The Directors confirm that there have been no events that have a material effect on Capstone since the most recent audited consolidated financial statements as at 31 December 2023, other than those disclosed in the notes to the 2023 audited financial statements.

3.2 Basis of preparation and presentation of Historical Financial Information

The Historical Financial Information is intended to present Investors with information to assist them in understanding the historical financial performance, financial position and cash flows of Capstone.

Capstone's Historical Financial Information has been audited by Deloitte LLP in accordance with Canadian generally accepted auditing standards and Deloitte LLP issued an unqualified audit opinion in respect of these financial statements.

The audited consolidated financial statements of Capstone as at 31 December 2023 (**2023 Financial Statements**) and as at 31 December 2022 (**2022 Financial Statements**) are prepared as a continuation of the financial statements of Capstone Mining Corp. following the merger of Mantos Copper (Bermuda) Limited and Capstone Mining Corp as the latter was treated as the acquiring entity for accounting purposes. For further information regarding the Merger Transaction, refer to Section 2.1.1 and the notes outlined in the Historical Financial Information at Annexure B.

The 2022 Financial Statements include, for comparative purposes, a presentation of the audited consolidated financial statements as at 31 December 2021 of Capstone Mining Corp (**2021 Financial Statements**). A copy of the 2021 Financial Statements are available to access on SEDAR+ at www.sedar.ca.

This Section should be read in conjunction with the risks to which Capstone is subject to, as set out in Section 4.

3.3 Pro Forma Financial Information

Set out below is a pro forma balance sheet as at 31 December 2023 illustrating the limited financial effect of the Offer (the **Pro Forma Financial Information**):

PRO FORMA BALANCE SHEET	As at 31 December 2023 (US$000s)	Subsequent events [1] (US$000s)	Pro-forma adjustments [2] (US$000s)	Pro-forma balance (US$000s)
ASSETS				
Current				
Cash and cash equivalents	126,016	253,488	(261)	379,203
Short-term investments	804	-	-	804
Receivables	147,318	-	-	147,318
Inventories	149,613	-	-	149,613
Derivative assets	18,984	-	-	18,984
Other assets	44,122	-	-	44,122
	486,857	253,488	**(261)**	**740,044**
Non-current				
Mineral properties, plant and equipment	5,286,257	-	-	5,286,257
Derivative assets	16,565	-	-	16,565
Deferred income tax assets	53,401	-	-	53,401
Other assets	30,835	-	-	30,835
Total assets	**5,873,915**	253,488	**(261)**	**6,127,102**
LIABILITIES				
Current				
Accounts payable and accrued liabilities	272,277	-	-	272,277
Current portion of long-term debt	28,398	-	-	28,398
Current portion of due to related party	3,243	-	-	3,243
Lease liabilities	33,516	-	-	33,516
Derivative liabilities	16,788	-	-	16,788
Income taxes payable	6,186	-	-	6,186
Other liabilities	71,412	-	-	71,412
	431,820	-	-	**431,820**
Non-current				
Long-term debt	970,258	-	-	970,258
Due to related party	192,628	-	-	192,628
Deferred revenue	147,619	-	-	147,619
Lease liabilities	102,983	-	-	102,983
Provisions	268,132	-	-	268,132
Deferred income tax liabilities	630,225	-	-	630,225
Other liabilities	64,128	-	-	64,128
Total liabilities	**2,807,793**	-	-	**2,807,793**
EQUITY				
Share capital	2,451,572	253,488	-	2,705,020
Other reserves	40,129	-	-	40,129
Retained earnings	168,886	-	(261)	168,625
Total equity attributable to equity holders of the Company	**2,660,587**	**253,488**	**(261)**	**2,913,774**
Non-controlling interest	405,535	-	-	405,535
Total equity	**3,066,122**	**253,488**	**(261)**	**3,319,309**
Total liabilities and equity	**5,873,915**	**253,488**	**(261)**	**6,127,102**

NOTES

1. Estimated net proceeds (giving effect to the overallotment) and estimated Company costs of C$750,000 translated into US$ at an exchange rate of US$1.00 = C$1.3389.
2. Estimated net proceeds are the proceeds of the issuance of 10 CDIs at a price of A$7.30 per Share less Company expenses of approximately A$401,800 translated into US$ at an exchange rate of US$1.00 = A$1.5415.

3.4 Basis of preparation and presentation of Pro Forma Financial Information

The Pro Forma Financial Information has been prepared by Capstone and is provided for illustrative purposes only. As part of this process, information about Capstone's financial position has been extracted from Capstone's audited financial statements for the year ending 31 December 2023. Investors should note that past performance may not be an indicator of future performance.

The Pro Forma Financial Information has been prepared based on the statutory historical consolidated balance sheet from the 2023 Financial Statements, the subsequent events set out in Section 3.5 and the following transactions and events relating to the Offer:

- the issue of 10 CDIs to raise proceeds of A$73.00; and
- the costs of the Offer, as set out in Section 8.15.

3.5 Subsequent events – Bought Deal Capital Raising

In addition to the Offer-related items mentioned in Section 3.4, the Pro Forma Historical Financial Information also reflects the ~ C$356 million (gross proceeds) "bought deal" capital raising that was completed by Capstone on 8 February 2024 (**Bought Deal Capital Raising**), subsequent to the balance sheet date of 31 December 2023. Capstone granted the underwriters an option, exercisable in whole or in part at any time up to 30 days after the closing of the Bought Deal Capital Raising, to purchase up to an additional 8,928,000 Shares from Capstone at the offering price of C$6.30 per Share (the **Over-Allotment Option**) which, if exercised in full, would increase the aggregate gross proceeds of the Bought Deal Capital Raising to C$431.2 million.

56,548,000 Shares were issued by Capstone as part of the Bought Deal Capital Raising, for gross proceeds to the Company of C$356.3 million. In addition, 11,900,000 Shares were sold by Orion for gross proceeds of C$75.0 million. The Company did not receive any proceeds from the secondary sale, which have been paid directly to Orion.

The net proceeds of the Bought Deal Capital Raising are intended to be used to advance near term growth initiatives in Chile, notably the MVDP Optimized and Santo Domingo Project detailed engineering, to advance expansionary exploration programs and for general corporate and working capital purposes to provide additional balance sheet flexibility.

Other than the Bought Deal Capital Raising, there have been no events subsequent to the balance sheet date which would have a material effect on Capstone's consolidated financial balance sheet as at 31 December 2023.

3.6 Future reporting of financial information

As a Foreign Exempt Listing, financial statements prepared in future periods will be prepared in accordance with the recognition and measurement principles contained in International Financial Reporting Standards and Capstone's adopted accounting policies. Audits of those financial statements will be in accordance with Canadian generally accepted auditing standards.

3.7 Financial forecasts

The Directors have considered the matters detailed in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to provide reliable forecast future earnings. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

The Directors consequently believe that, given these inherent uncertainties, it is not possible to include reliable future earnings forecasts in this Prospectus.

Section 2.6 contains Capstone's guidance for production and other matters for 2024.

3.8 Explanation of certain Non-IFRS Financial Information

To assist in the evaluation of the performance of Capstone, certain measures are used to report on Capstone that are not recognised under IFRS. These measures are collectively referred in this Prospectus (including this Section 3) and under Regulatory Guide 230 Disclosing Non-IFRS Financial Information published by ASIC as "non-IFRS financial measures".

The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

(a) **EBITDA** is net income before net finance expense, tax expense, and depletion and amortisation.

(b) **Expansionary Capital** is expenditures to increase current or future production capacity, cash flow or earnings potential.

(c) **C1 Cash Costs** is the costs of mining, milling and concentrating, on-site administration and general expenses, metal concentrate treatment and refining charges and freight and marketing costs less the net value of the by-product credits. 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. Capstone management uses this measure to assess how well Capstone's producing mines are performing and to assess overall efficiency and effectiveness of the mining operations and assumes that realised by-product prices are consistent with those prevailing during the reporting period.

(d) **Sustaining Capital** is expenditures to maintain existing operations and sustain production levels.

Although the Directors believe that these measures provide useful information about the financial performance of Capstone, they should be considered as supplements to the income statement or cash flow statement measures that have been presented in accordance with IFRS and not as a replacement for them. As these non-IFRS financial measures are not based on IFRS, they do not have standard definitions, and the way Capstone calculate these measures may differ from similarly titled measures used by other companies. Investors and readers of this Prospectus should therefore not place undue reliance on these non-IFRS financial measures.

3.9 Capital structure

Capstone's current capital structure (as at the latest Date) and proposed capital structure upon completion of the Offer is as follows:

Class	Current [4]	To be issued under the Offer	Total following completion of the Offer [5]
Issued and outstanding Shares (excluding CDIs) [6]	752,989,215	10	752,989,225
Issued CDIs	40,000	10	40,010
Share Options [1, 2]	4,333,897	Nil	4,333,897
Treasury Share Units [3]	3,969,121	Nil	3,969,121
Non-treasury Share Units [3]	2,332,696	Nil	2,332,696

NOTES
1. The options are unquoted and issued to eligible persons under Capstone's Stock Option Plan. Refer to Section 8.4.2 for the terms and conditions of the Options and Section 8.5.3 for a summary of the Stock Option Plan.
2. As at the Latest Date, 1,988,822 Options have vested.
3. The Treasury Share Units and Non-treasury Share Units are unquoted and issued to eligible persons under Capstone's Treasury Share Plan and Share Unit Plan respectively. Refer to Sections 8.5.4 and 8.5.5 for a summary of the Treasury Share Plan and Share Unit Plan respectively.
4. As at the Latest Date.
5. These figures may be subject to change. This assumes no changes to the securities (particularly transmutations between Shares and CDIs, exercises of Share Options or redemptions of RSUs or PSUs) between the Latest Date and end of the Offer Period.
6. Each Share represented by a CDI is excluded from the total of Shares on issue stated here.

3.10 Market prices for Capstone Shares and CDIs

Capstone is a disclosing entity for the purposes of the Corporations Act and its CDIs are enhanced disclosure securities quoted on ASX. Capstone is also listed on the TSX under the symbol "CS".

On 4 March 2024, the closing price of the Shares on the TSX was C$7.21 (A$8.19). The following table sets out the monthly price ranges and trading volumes of Shares on the TSX for the 12-month period prior to the date of this Prospectus, all as reported by the TSX:

Month	Volume	High (C$) / (A$)	Low (C$) / (A$)
March 1 - 4, 2024	3,089,431	7.25 / 8.24	6.91 / 7.85
February 2024	32,124,342	7.58 / 8.61	6.22 / 7.07
January 2024	33,404,372	6.93 / 7.88	5.97 / 6.78
December 2023	25,149,683	6.79 / 7.72	5.47 / 6.22
November 2023	20,605,262	5.65 / 6.42	4.40 / 5.00
October 2023	27,245,856	5.67 / 6.44	4.51 / 5.13
September 2023	22,950,594	6.68 / 7.59	5.37 / 6.10
August 2023	22,497,953	6.83 / 7.76	5.82 / 6.61
July 2023	25,931,519	7.00 / 7.95	5.71 / 6.49
June 2023	26,050,844	6.38 / 7.25	5.41 / 6.15
May 2023	32,973,983	6.70 / 7.61	5.16 / 5.86
April 2023	30,871,311	7.25 / 8.24	5.71 / 6.49
March 2023	71,690,931	7.09 / 8.06	5.48 / 6.23
February 2023	30,470,507	6.52 / 7.41	5.47 / 6.22

There has been no trading of CDIs on ASX since Capstone's admission to ASX up to and including the Latest Date.

3.11 Substantial Shareholders

To the best knowledge of Capstone based on available information, as of the Prospectus Date, the following persons beneficially own, or control or direct, directly or indirectly, 10% or more of Capstone's Shares on issue:

Name	Number of Shares	% of Shares
Hadrian Capital Partners Inc.	100,712,661	13.38%
Orion (1)	152,936,179	20.31%

NOTES
1. Includes securities held in the names of Orion Fund JV Limited, Orion Mine Finance (Master) Fund I-A LP and Orion Mine Finance Fund II LP.

The above table is based upon "early warning reports" and similar regulatory filings filed on SEDAR+ and on the Canadian System for the Electronic Disclosure by Insiders (**SEDI**). Capstone has no reason to believe that such information is false or misleading in any material respect. However, the information cannot be verified with complete certainty due to limits on the availability and reliability of publicly disclosed information, the voluntary nature of the beneficial ownership disclosure process and other limitations and uncertainties. No representation can therefore be given as to the accuracy of any of the information.

The Offer will not have a material effect on control of Capstone.

Refer to Section 8.6.9 for details on Capstone's substantial shareholder reporting obligations under applicable Canadian laws.

3.12 Liquidity and capital resources

3.12.1 Overview

Capstone's objective is to maintain a prudent capital structure and gearing level and to have access to cash reserves and undrawn committed debt facilities to mitigate the risk of volatile external factors and financial risk in its business. Following completion of the Offer, Capstone's principal source of funds is expected to be cash flows from operations and borrowings under the Revolving Credit Facility. At completion of the Offer, Capstone is expected to have available liquidity of US$515 million including $157 million of cash and cash equivalents and short-term investments, and US$358 million of undrawn amounts on the US$700 million Revolving Credit Facility to fund its working capital requirements, capital expenditure and for other general corporate purposes.

Capstone's main uses of cash have historically been, and are expected to continue to be, the funding of its operations, working capital and capital expenditure, and the payment of borrowings and interest. Following completion of the Offer, Capstone expects that it will have sufficient liquidity and capital resources to meet its operational and working capital requirements and stated business objectives.

Capstone's ability to generate sufficient cash depends on its future performance which may be subject to a number of factors beyond its control, including general economic, financial, commodity price and competitive conditions and other risks described in Section 4. Over time, Capstone may seek funding from a range of sources to diversify its funding sources in order to reduce its reliance on the bank finance market and to manage its exposure to interest rate risk on its long-term borrowings.

Capstone's capital management objectives are intended to safeguard Capstone'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 Capstone's treasury policy, Capstone 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.

3.12.2 Hedging

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

(a) **ZCCs:** Capstone has 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 14,000 tonnes of copper covering the period from January 2024 through June 2024, and have weighted average floor and ceiling price of US$3.69/lb and US$4.33/lb, respectively.

Capstone also entered into fixed-for-floating swaps for 6,000 tonnes of copper covering the period from January 2024 to June 2024, and have a weighted average forward price of US$3.79/lb. The intent is to ensure balance sheet protection and sufficient liquidity during the ramp up of MVDP in 2024.

There was a realised loss of US$17.2 million for year ended 31 December 2023 in respect of the ZCCs.

(b) **Mexican Peso exposure:** In October 2023, financial hedges were executed on foreign exchange rates to protect approximately 75% of Capstone's Mexican Peso exposure from January through to December 2024, through Mexican Peso to US Dollar exchange rate zero cost collars (being purchased puts and sold calls with offsetting values at inception). There was no realised gain or loss on these Mexican Peso zero cost collars for the year ended 31 December 2023.

(c) **Chilean Peso exposure:** Financial hedges were executed on foreign exchange rates to protect approximately 75% of the Company's attributable Chilean Peso exposure on operating costs at Mantoverde and Mantos Blancos from October 2023 through to December 2024 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 realised gain or loss on the Chilean Peso zero cost collars for the year ended 31 December 2023.

(d) **Canadian dollar exposure:** Financial hedges were executed on foreign exchange rates to protect the Company's Canadian dollar exposure. The Company entered into ZCCs through to December 2024 whereby it sold a series of call option contracts and purchased a series of put option contracts for nil cash premium. There was a realised loss of US$0.1 million on the Canadian dollar financial hedges for the year ended 31 December 2023.

(e) **Mantoverde Mine:** 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 US$7,698 (~US$3.49/lb) through to 30 June 2024;
- Fixed-for-floating SOFR swaps at 1.015% for 10-years, with a 0% floor on the adjusted SOFR 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 US$104 million that mature in March 2024 to hedge 100% of the forecasted EPC contract costs denominated in CLP; and

- Chilean Unidad de Fomento :US$ foreign exchange rate forwards at an average price of 41.7 and notional amount of approximately US$321 million that mature in May 2024 to hedge 100% of the forecasted EPC contract costs denominated in Chilean Unidad de Fomento.

(f) **Diesel prices:** Pinto Valley contracted for fixed diesel prices with a supplier on its expected 2024 diesel consumption at US$3.32/gallon from February to December 2024.

3.13 Other financial obligations

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

In connection with Capstone's sale of the Minto Mine in 2019, Minto posted a surety bond of C$72 million to cover potential future reclamation liabilities. While this surety bond is outstanding, the Company remains an indemnitor to the surety bond provider. As Minto has defaulted on the surety bond, Capstone recognised a liability of approximately US$51.9 million (C$72 million) related to the Company's obligations to the issuer of the surety bond.

During Q4 2023, the Company received a reclamation plan from the Yukon government and made payments of US$10.4 million to the Yukon government for reclamation work performed. As at 31 December 2023, the total provision is US$41.2 million with US$23.9 million recorded in other current liabilities representing the amounts expected to be paid within the next year.

3.14 Dividend policy

Capstone does not have a history of paying dividends and does not anticipate paying dividends in the foreseeable future.

4 RISK FACTORS

4.1 Introduction

Capstone is subject to a number of significant risks due to the nature of Capstone's business which includes acquisition, divestitures, financing, exploration, development, construction and operation of mining properties. Before making an investment decision in respect of CDIs, you should carefully consider the risks and uncertainties described below and other information contained in this Prospectus. The risks and uncertainties described below could have a material adverse effect on Capstone's business, financial condition or results of operations, and the trading price of Capstone's common shares (and CDIs) may decline and investors may lose all or part of their investment. The Directors or any person associated with Capstone cannot give assurance that Capstone can control or will successfully address these risks or other unknown risks that may affect Capstone's business. Additional risks or uncertainties not presently known to Capstone or that Capstone considers immaterial may also impair Capstone's business operations.

The Directors recommend that potential investors consider the risks detailed in this Section 4, together with information contained elsewhere in this Prospectus, and consult their professional advisers, before they decide whether or not to apply for CDIs.

4.2 Risks specific to an investment in Capstone

4.2.1 Mining and exploration risks

Capstone's operations are subject to all the hazards and risks normally encountered in the exploration, development, construction, care and maintenance activities and production of copper and other metals, including, without limitation, workplace accidents, fires, wildfires, power outages, labour disruptions, port blockages, flooding, mudslides, explosions, cave-ins, landslides, ground or stope failures, tailings dam failures and other geotechnical instabilities, weather events, seismic events or major earthquakes, tsunamis, access to water, equipment failure or structural failure, metallurgical and other processing problems and other conditions involved in the mining and processing of minerals, any of which could result in damage to, or destruction of, Capstone's mines, mineral properties, plants and equipment, multiple personal injuries or loss of life, environmental damage to surrounding land, vegetation other biological and water resources, delays in mining, increased production costs, asset write-downs, monetary losses, legal liability and governmental action. Capstone's mines have large tailings dams which could fail as a result of extreme weather events, seismic activity, or for other reasons. The occurrence of any of these events could result in a prolonged interruption in Capstone's operations, increased costs for asset protection or care and maintenance activities that would have a material adverse effect on Capstone's business, financial condition, results of operations and prospects. The occurrence of one of more of these events could have a long-term impact on Capstone's employee's morale, Capstone's reputation, and result in greater regulatory scrutiny and loss of or delays in obtaining licenses to operate. Capstone's operations are reliant on infrastructure including but not limited to water sources, public roadways, power and transmission facilities, warehouses, and ports. Wildfires and inclement weather conditions, whether occurring at Capstone's sites, adjacent lands, or supplier and downstream sites, may impact Capstone's ability to operate, transport or access and supply sites, and increase overall costs or impact Capstone's financial performance. In severe circumstances, civil authorities may impose evacuation orders. Capstone's sites in Chile, Arizona and Mexico are subject to drought conditions and create a higher exposure to wildfire or man-made fire risk.

4.2.2 Mineral Resources and Mineral Reserves are estimates and are subject to uncertainty

Capstone's mineral resource and mineral reserve are estimates and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be inaccurate. Actual recoveries of copper, zinc, iron, gold, silver and cobalt from mineralised material may be lower than those indicated by test work. Any material change in the quantity of mineralisation, grade or stripping ratio, may affect the economic viability of Capstone's properties. In addition, there can be no assurance that metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Notwithstanding pilot plant tests for metallurgy and other factors, there remains the possibility that the ore may not react in commercial production in the same manner as it did in testing. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mining and metallurgy are inexact sciences and, accordingly, there always remains an element of risk that a mine may not prove to be commercially viable.

Until a deposit is actually mined and processed, the quantity of mineral resources and mineral reserves and grades must be considered as estimates only. In addition, the quantity of mineral resources and mineral reserves may vary depending on, amongst other things, metal prices, cut-off grades and operating costs. Any material change in quantity of mineral reserves, mineral resources, grade, percent extraction of those mineral reserves recoverable by underground mining techniques or the stripping ratio for those mineral reserves recoverable by open pit mining techniques may affect the economic viability of Capstone's mining projects.

4.2.3 Risk relating to insurance, including uninsured or uninsurable risks

In the course of exploration, development and production of mineral properties and in the conduct of Capstone's operations, certain risks, including but not limited to rock bursts, landslides, cave-ins, environmental incidents, geotechnical events, fires, flooding, earthquakes and cybersecurity events may occur. It is not always possible to fully insure against all risks due to commercial availability or for other reasons. Capstone currently does not have insurance against all risks and may decide to or become required to accept higher deductibles or self-insure and not insure against certain risks as a result of high premiums or for other reasons. Capstone's property, business interruption and liability insurance may not provide sufficient coverage for losses related to certain risks. Further, insurance against certain risks, including but not limited to those related to certain environmental matters, is generally not available to Capstone or to other companies within the mining industry. Losses from these events may cause Capstone to incur significant costs that could have a material adverse effect on Capstone's business, financial condition, results of operation and prospects.

4.2.4 Geotechnical risks

No assurances can be given that unanticipated adverse geotechnical and hydrological conditions such as landslides, cave-ins, rock falls, slump, ground or stope failures, waste rock, leaching and tailings and water storage facility failures or releases and pit wall failures will not occur in the future or that such events will be detected in advance. Due to the age of Capstone's mines and more complex deposits; Capstone's Mantos Blancos Mine and Mantoverde Mine operate pits and tailings facilities located in regions with potential earthquake activity; the Pinto Valley Mine pit is becoming deeper resulting in higher pitwalls; and underground environments at Cozamin Mine are complex, with exposure to geotechnical instabilities, hydrological impacts, and mining induced seismicity. Geotechnical instabilities can be difficult to predict and are often affected by risks and hazards outside of Capstone's control, such as seismic activity and severe weather events, which may lead to periodic floods, mudslides, wall instability or an underground collapse.

Capstone’s mine sites have multiple active and inactive tailings storage facilities, including upstream raised dams and legacy facilities inherited through acquisition activities. Capstone’s tailings storage facilities have been designed by professional engineering firms to meet applicable regulatory standards. Capstone continues to review and enhance existing operational practices in line with international best practices; however, no assurance can be given that adverse geotechnical and hydrological events or other adverse events will not occur in the future. There is no guarantee that Capstone’s existing tailings storage facilities will be sufficient to support operational expansions in which Capstone may have to forgo future operational expansions or invest in modified or new tailings storage facilities in order to safely operate. Tailings storage facilities have the risk of failure due to extreme weather events, seismic activity or for other reasons. The failure of tailings dam facilities or other impoundments could cause severe or catastrophic environmental and property damage or loss of life. Geotechnical or tailings storage facility failures could result in the suspension of Capstone’s operations, limited or restricted access to sites, government investigations, remediation costs, increased monitoring costs and other impacts, which could result in a material adverse effect on Capstone’s operational results and financial position.

4.2.5 Surety bonding risks

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

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

During Q3 2023, a new court order placed Minto into full receivership and appointed PricewaterhouseCoopers as Receiver. The Receiver is in charge of Minto's property, assets, and undertakings and has since commenced a sales and investment solicitation process. The Yukon government remains in charge of care and maintenance and reclamation activities at the Minto mine. Capstone may have additional obligations or liabilities due to contractual obligations pursuant to the sale of Minto mine in 2019.

4.2.6 Financial covenant compliance risks

The terms of the RCF pursuant to the Credit Agreement (as defined below) requires that Capstone satisfy various affirmative and negative covenants and meet certain quarterly financial ratio tests. These covenants limit, amongst other things, Capstone's ability to incur further indebtedness subject to certain exceptions. They also limit the ability of Capstone to create liens on certain assets or to engage in certain types of transactions. A failure to comply with these covenants, including a failure to meet the financial tests or ratios, could result in an event of default and allow lenders to accelerate the repayment of any debt outstanding.

4.2.7 Financing requirement risks

Capstone may require substantial additional capital to accomplish its exploration, expansion development or construction plans and fund strategic growth and there can be no assurance that financing will be available on terms acceptable to Capstone, or at all. Capstone may require substantial additional financing to advance the Mantos Blancos Mine, Mantoverde Mine, Pinto Valley Mine, and the Cozamin Mine to achieve designed production rates, to finance potential strategic acquisitions required for growth and to accomplish any exploration and development plans or construction activities for the Santo Domingo Project. Current and future financing requirements could adversely affect Capstone's ability to access the capital markets in the future. Failure to obtain sufficient financing, or financing on terms acceptable to Capstone, may result in a delay or indefinite postponement of exploration, development, construction, or production at one or more of Capstone's properties. Additional financing may not be available when needed and the terms of any agreement could impose restrictions on the operation of Capstone's business. Failure to raise financing when needed could have a material adverse effect on Capstone's business, financial condition, results of operations and prospects.

4.2.8 Risks associated with integrating the operations, technologies and personnel of Capstone Mining and Mantos Copper

The success of Capstone will depend in large part on the success of management of Capstone in integrating the operations, technologies and personnel of Capstone Mining with those of Mantos Copper. The failure to successfully achieve such integration could impair the results of operations, profitability and financial results of Capstone. The overall integration of the operations, technologies and personnel may also result in unanticipated operational problems, expenses, liabilities and diversion of management's time and attention. No assurances can be made that the Company was aware of all the liabilities of the combined assets.

4.2.9 Capstone's operations are dependent on the availability of water

Water is critical to the mining process, water is a finite resource significant to society, Capstone's local communities and the ecosystem, and its use is highly regulated in jurisdictions where Capstone operate. Water availability is integral to the operations at the Pinto Valley Mine. A lack of necessary water for a prolonged period of time could affect operations at the Pinto Valley Mine and materially adversely affect Capstone's results of operations. Capstone has entered into a water supply agreement contract as amended on 28 March 2017 and 28 December 2018 (**Water Supply Agreement**) with BHP Copper Inc. (**BHP Copper**), but such agreement is subject to water availability and BHP Copper's own requirements. There is no guarantee that this agreement, which is in effect until October 2025, with two five-year renewal periods if the parties agree, will be renewed on reasonable terms or be adequate for future operational expansions or extensions to the life of mine. The Colorado River in Arizona is experiencing dwindling supply due to climate change and current demand, therefore, Arizona could be facing unprecedented water shortages that could result in regulatory requirements to reduce water usage that could have a material adverse effect on Capstone's financial condition. The Mantos Blancos Mine water supply is based on long term contracts with water companies one of which extracts water from concessions belonging to the Chilean government. There is no guarantee that these agreements will be renewed on reasonable terms or be adequate for future operational expansions or extensions to the life of mine. Capstone may have to secure future water sources that could increase operational costs or additional capital expenditures. There is no guarantee that future water sources are available or at reasonable costs and could have an adverse impact on Capstone's financial condition. Capstone's efforts to maximise water efficiency and minimise water usage may not be sufficient to combat existing drought conditions or changes in water availability due to climate change.

The Mantoverde Mine's water supply is solely provided by the seawater desalination plant located 42 kilometres from the mine. The supply of water from the desalination plant could be interrupted by a number of events including but not limited to fire, earthquake, tsunami, or other severe weather events, and equipment or pipe failures of which could result in damage to, or destruction of the plant and equipment, delays in production and increases in production costs.

4.2.10 Risks associated with an increase in Capstone's input costs

Capstone's operations are affected by the cost of commodities and goods such as electrical power, sulphuric acid, fuel and supplies. Mining operations and facilities are intensive users of electricity and carbon- based fuels. Energy prices can be affected by numerous factors beyond Capstone's control, including global and regional supply and demand, political and economic conditions, and applicable regulatory regimes. The prices of various sources of energy may increase significantly from current levels. An increase in energy prices for which Capstone is not hedged could materially adversely affect Capstone's results of operations and financial condition.

Purchases of sulphuric acid constitute a significant part of Mantos Blancos Mine and Mantoverde Mine operating costs. While there is a long-standing copper smelter industry in Chile which supplies acid locally, the country is a net importer of sulphuric acid, and Capstone relies upon key suppliers from Chile, Peru, China, Korea, and Japan under annual contracts at a fixed price determined in the preceding year on an import parity basis. The price, availability, and reliability of resources are subject to changes in global market price or condition, new laws or regulations, taxes or tariffs, shortages or slowdowns in production of resources, and border closures. Change in price or shortages of key resources consumed in Capstone's operations could limit Capstone's mining capacity or require Capstone to cease its mining production, and therefore have a materially adverse impact on Capstone's financial conditions and results of operations.

4.2.11 It may be difficult for Capstone to recruit and retain qualified people

The mining industry is experiencing recruitment and retention challenges for skilled and experienced employees. Due to the cyclical nature of mining and the emergence of competing industries, the talent pool for skilled and experienced workers is shrinking. The number of new workers entering the mining sector may not be sufficient to replace the number of retirees in the future. It may be difficult for Capstone to recruit and retain qualified people in Arizona, Mexico and Chile, or compete for talent with other companies who are situated in these areas, which may result in increased costs and delays.

It may be difficult for Capstone to obtain all of the necessary services or expertise in Arizona, Mexico and Chile or to conduct operations on Capstone's projects at reasonable rates. If qualified people and services or expertise cannot be obtained in Arizona, Mexico and Chile, Capstone may need to seek and obtain those services from people located outside of these areas, which will require work permits and compliance with applicable laws and could result in delays and higher costs.

4.2.12 Dependence on key management personnel

Capstone are very dependent upon the personal efforts and commitment of Capstone's existing management and Capstone's current operations and future prospects depend on the experience and knowledge of these individuals. Capstone does not maintain any "key person" insurance. To the extent that one or more of Capstone's members of management are unavailable for any reason, or should Capstone lose the services of any of them, a disruption to Capstone's operations could result, and there can be no assurance that Capstone will be able to attract and retain a suitable replacement.

4.2.13 Conflicts of interest

Certain of Capstone's directors and officers also serve as directors or officers of, or have significant shareholdings in, other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. To the extent that such other companies may participate in ventures which Capstone may participate in, or in ventures which Capstone may seek to participate in, Capstone's directors and officers may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In all cases where Capstone's directors and officers have an interest in other companies, such other companies may also compete with Capstone for the acquisition of mineral property investments. As a result of these conflicts of interest, Capstone may not have an opportunity to participate in certain transactions, which may have a material adverse effect on Capstone's business, financial condition, results of operation and prospects.

4.2.14 Capstone Copper's ability to acquire properties for growth may be limited

The life of any mine is limited by its mineral reserves. As Capstone seeks to replace and expand Capstone's mineral reserves through exploration, acquisition of interests in new properties or of interests in companies which own the properties, Capstone may encounter strong competition from other companies in connection with the acquisition of properties. This competition may limit Capstone's ability to adequately replace mineral reserves mined.

4.2.15 Labour relations and disruptions

Approximately 80% of total employees at Mantos Blancos Mine and 77% of total employees at the Mantoverde Mine are covered by agreements with one of the labour unions with a presence at the mining operations. The labour agreement at the Mantoverde Mine was renewed in 2022 and will be in effect until 31 October 2025. The labour agreement at Mantos Blancos Mine was renewed in 2023 and will be in effect until 30 June 2026. In addition, contractors or subcontractors form a significant part of the Mantos Blancos Mine and Mantoverde Mine workforce, making up approximately 55% of the total workforce. Pursuant to Chilean regulations, labour negotiations with a contractor's workforce are the responsibility of the relevant contractors. The Mantos Blancos Mine and Mantoverde Mine may experience work slowdowns or disruptions in the future, whether of its own workforce or a contractor's workforce, and there can be no assurance that a work slowdown or work stoppage will not occur prior to or upon the expiration of the current long-term labour agreements. In 2016, the Government of Chile promulgated an extensive labour reform law (**Labour Reform Law**), which became effective in 2017. The Labour Reform Law prevents Chilean companies from hiring temporary replacements for striking employees and also prevents the replacement of striking employees with other existing employees of the company. This may have an adverse effect on Capstone Copper's overall employment and operating costs and may increase the likelihood of business disruptions in Chile.

Approximately 67% of total employees at the Pinto Valley Mine are represented by six unions, governed by one collective bargaining agreement negotiated by the United Steelworkers Union which is in effect until 31 August 2026. Cozamin Mine has recently negotiated a collective bargaining agreement with the Sindicato Nacional de Trabajadores Mineros, Metalúrgicos, Siderúrgicos y Similares de la República Mexicana (National Union of Miners, Metalworkers, Steelworkers and Allied Workers of the Mexican Republic) as per the new Mexican requirement for all mines to be unionised. Approximately 63% of total employees at the Cozamin Mine are covered by this collective bargaining agreement.

Additional groups of non-union employees may seek union representation in the future. Further, relations with employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in jurisdictions where Capstone conducts business. Changes in such legislation or otherwise in Capstone's relationship with its employees may result in higher ongoing labour costs, employee turnover, strikes, lockouts or other work stoppages, any of which could have a material adverse effect on Capstone's business, results of operations and financial condition.

4.2.16 Competition with other mining companies

The mining industry is competitive in all of its phases. Capstone faces strong competition from other mining companies in connection with the acquisition of properties producing or capable of producing metals. Many of these companies have greater liquidity, greater access to credit and other financial resources, newer or more efficient equipment, lower cost structures, more diversification, more effective risk management policies and procedures and/or a greater ability than Capstone to withstand losses. Capstone's competitors may be able to respond more quickly to new laws or regulations or emerging technologies or devote greater resources to the expansion or efficiency of their operations than Capstone can. There is no guarantee that Capstone's investment in new technologies will result in improved operational or financial performance or Capstone's overall competitiveness in the long term, including but not limited to the Eriez HydroFloat Coarse Particle Flotation Technology and the Jetti catalyst technology. The performance of the Jetti catalyst technology may not result in the level of copper cathode recovery anticipated at the Pinto Valley open-pit mining, operation, mill, and electrowinning facility. The performance of Capstone's paste and backfill plant may not be as anticipated. There is no guarantee that the MV-SD district integration plan (outlined in Section 2.5.6(a)) will result in improved operational or financial performance. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships amongst themselves or with third parties.

Accordingly, it is possible that new competitors or alliances amongst current and new competitors may emerge and gain significant market share to Capstone's detriment. Capstone may also encounter increasing competition from other mining companies and producers particularly around sales, supply and labour prices, contractual terms and conditions, attracting and retaining qualified personnel and securing the services and supplies Capstone's needs for its operations. Increased competition could adversely affect Capstone's ability to attract necessary capital funding, to acquire it on acceptable terms, or to acquire suitable producing properties or prospects for mineral exploration in the future. As a result of this competition, Capstone may not be able to compete successfully against current and future competitors, and any failure to do so could have a material adverse effect on Capstone's business, financial condition, results of operations and prospects. Further, Capstone may become a target for a corporate takeover or may decide to engage in a strategic merger. Such activities may create uncertainty among shareholders and markets and therefore influence share prices.

4.2.17 Security risks associated with Capstone's operations in Mexico

Throughout Mexico, including the regions Capstone operates, there has been an increase in violence between the drug cartels, human trafficking originations or other criminal organisations including violence towards the authorities. Capstone's Cozamin

Mine, located in Zacatecas, Mexico, operates in a region that is experiencing an increasing rate of criminal activity and violence. Cozamin's copper concentrate is delivered by truck under an agreement to a major trading company in Manzanillo, Mexico. Additionally, the majority of Pinto Valley Mine's copper concentrate is hauled using a modular truck system across the United States and Mexico border into the state of Sonora and shipped out of the port of Guaymas. Criminal activities in these regions or in neighbouring regions, or the perception that activities are likely, may disrupt Capstone's operations or supply chains and lead to an adverse financial impact or an increase in costs to further manage the security risk.

Although measures have been implemented to protect Capstone's employees, contractors, property and facilities, no assurances can be given that security incidents will not have a material adverse effect on Capstone's operations and financial position. The law enforcement authorities' efforts to reduce criminal activity may experience challenges from a lack of resources, corruption and the power of organised crime. The effect of such security incidents cannot be accurately predicted and may result in serious adverse consequences including harm to employees, contractors or visitors, theft or damage to property and assets, and the disruption or suspension to Capstone's operations leading to an adverse financial impact. Increasing criminal activity and violence may increase community tensions, impacting Capstone's ability to hire and keep qualified personnel or contractors and could impact the Company's ability to conduct business.

4.2.18 Risks in connection with the Cozamin Silver Stream Agreement with Wheaton

The agreement between Capstone and Wheaton Precious Metals Corp (**Wheaton**) announced on 11 December 2020 (**Cozamin Silver Stream Agreement**) is subject to pricing risk. Unexpected spikes in silver prices may result in an increase in silver credit payables compared to receivables and the use of hedging mechanisms may not be economical to reduce such risks. Capstone was required to meet certain completion requirements before 31 December 2023, under the Cozamin Silver Stream Agreement, namely, Capstone was required to construct a paste backfill plant to produce at least 105,000 cubic metres of suitable paste backfill that is used in the underground operations at Cozamin over a period of 90 consecutive days during which a completion test has been performed. The completion requirements have not been met due to a change in the mining method impacting the completion test. The parties are cooperating to update the completion test. In the event that the parties are unable to negotiate a favourable amendment to the terms of the Cozamin Silver Stream Agreement, failure to achieve the foregoing completion requirements may result in a refund to Wheaton of up to a maximum of US$13 million.

4.2.19 Risks in connection with the Santo Domingo Gold Stream Agreement with Wheaton

Capstone's ability to access upfront cash deposits under the precious metals purchase agreement for the production of gold from the Santo Domingo Project between Capstone and Wheaton dated 25 March 2021 (**Santo Domingo Gold Stream Agreement**) is subject to Capstone meeting certain closing conditions under the Santo Domingo Gold Stream Agreement, including but not limited to: (a) obtaining all necessary approvals to achieve completion and to operate the mine in accordance with the development plan; (b) entering into material contracts necessary for the construction and development of the mine; and (c) having obtained project financing on terms and conditions that are not reasonably expected to result in an adverse impact and under which all conditions precedent necessary to draw down on such project financing have been satisfied or waived. There is no guarantee Capstone will be able to meet all of the conditions and draw on the funds from Wheaton pursuant to the Santo Domingo Gold Stream Agreement. Further, an initial failure to achieve the completion requirements in the Santo Domingo Gold Stream Agreement on or before the third anniversary of the agreement date will result in a delay payment. A continued failure to achieve the completion requirements under the Santo Domingo Gold Stream Agreement will result in a refund to Wheaton.

4.2.20 Uncertainties and risks related to the MVDP and future optimisation projects

Successful implementation of the Mantoverde development project (**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 Capstone's growth prospects and profitability. These factors include, among others:

- the availability, terms, conditions and timing of the delivery of plant, equipment and other materials necessary for the construction, commissioning, testing, start-up and/or operation of the relevant facility;
- Capstone may encounter delays or higher than expected costs in obtaining the necessary equipment, machinery, materials, supplies, labour or services and in implementing new technologies to execute a project;
- the availability of acceptable arrangements for the procurement of materials and services and particularly transportation and construction contracts;
- the timely and satisfactory performance of engineering and construction contractors, mining contractors, suppliers and consultants, including under Capstone's existing engineering;
- management of the engineering, procurement and construction contracts for the MVDP;
- failure to obtain, or experience delays or higher than expected costs in obtaining, the required agreements, authorisations, 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 may delay and hamper Capstone's ability to produce the expected quantities and qualities of minerals upon which the project was budgeted;
- conflicts with local communities, contractual disputes, strikes or other labour disputes may delay the implementation or the development of the project; and
- other factors such as adverse weather conditions affecting access to the development site or the development process and Capstone's access to adequate infrastructure generally, including a reliable power and water supply.

4.2.21 Uncertainties and risks related to the potential development of the Santo Domingo Project

The development of the Santo Domingo Project will require securing financing, equity partnerships or both. Capstone's ability to raise its equity contribution to the Santo Domingo Project may be influenced by future prices of commodities and the market for project debt.

Various factors may influence the ability to further enhance the value of the Santo Domingo Project including but not limited to the expected timing for commencement of construction, the realisation of mineral reserve estimates, grade or recovery rates, an increase in capital requirements or construction expenditures, the validity of required permits, the ability to obtain required permits, the timing and terms of a power purchase agreement, title disputes, claims and limitations on insurance coverage or extreme weather events. Delays to the development of the Santo Domingo Project may be influenced by factors such as dependence on key personnel, availability of contractors, accidents, labour pool constraints, labour disputes, availability of infrastructure, objections by the communities or environmental lobby of the Santo Domingo Project and associated infrastructure and other risks of the mining industry. These events could have a material adverse effect on Capstone's financial condition, business, operating results and prospects.

Any changes in the Santo Domingo Project parameters or development and construction delays may impact the timing and amount of estimated future production, costs of production, success of mining operations, environmental compliance, and reclamation requirements.

4.2.22 Financings for the development of the MBCDP and the MVDP risks

On 11 February 2021, Mantoverde entered into agreements with a lending syndicate of international banks and export credit agencies for a total debt financing package of $520 million in connection with the financing of the MVDP.

These project finance facilities are subject to affirmative, financial and restrictive covenants that include, for example, 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. These facilities are also subject to mandatory prepayment events under certain circumstances, including upon the cancellation or breach of certain off-take arrangements or an unapproved change of control and periodic partial excess cash sweeps. Failure to comply with these covenants may affect future utilisations under the project finance facilities or lead to an event of default, which could cause the relevant lenders to declare the respective borrower in default on its existing obligations. If such an event of default were declared and remained uncured, all borrowed amounts under the relevant facilities could become due and payable immediately. If Capstone was unable to repay the borrowed amounts or otherwise perform its obligations under the project finance facilities, the lenders could be entitled, in certain circumstances, to enforce their liens and security interests and take possession of the secured assets, including the assets that comprise the Mantoverde Mine.

As part of the financing for the Mantos Blancos concentrator bottlenecking project (**MBCDP**), Mantos Copper S.A. also entered into a royalty agreement with Southern Cross Royalties Limited (**Southern Cross**) for US$50.25 million and increased the size of the contract that gives Osisko Gold Royalties (**Osisko**) the right to purchase amounts of refined silver (**Silver Stream Agreement**) for a further advance of US$25 million (see Sections 7.2 and 7.3). Both of these agreements also include affirmative and negative covenants and grant the counterparties security interests over specified assets. If certain events of default occur, Southern Cross and/or Osisko could terminate their respective agreements in exchange for potentially substantial termination payments.

4.2.23 Risks associated with the acquisition of the Pinto Valley Mine

The Pinto Valley Mine was acquired on an "as is where is" basis with limited representations and warranties. In addition, the Company has provided indemnities to

BHP Copper with respect to certain liabilities and has limited recourse against BHP Copper with respect to potential liabilities related to the Pinto Valley Mine. As a result, the acquisition of mineral properties, such as the Pinto Valley Mine, may subject Capstone to unforeseen liabilities, including environmental liabilities.

4.2.24 Project development risks

Cost estimates may increase significantly as more detailed engineering work is completed on a project or changes to general economic conditions such as an inflationary environment and changes to the supply or demand for goods or services. It is common in mining operations to experience unexpected costs, problems and delays during construction, expansion, development, commissioning, start-up and ramp-up. Accordingly, Capstone cannot provide assurance that Capstone's activities will result in profitable mining operations at Capstone's mineral properties. If there are significant delays in when these projects are completed and are producing on a commercial and consistent scale, or their capital costs were to be significantly higher than estimates, these events could have a significant adverse effect on Capstone's results of operations, cash flow from operations and financial condition.

Future copper prices and operating costs through a mine's life cycle could also adversely affect the development of Capstone's growth projects. In addition, the lack of availability of plant, equipment and other materials or acceptable contractual terms for transportation or construction, or a slower than anticipated performance by any contractor or a period of adverse weather, could delay or prevent the successful completion of any of Capstone's development projects.

Implementation of Capstone's expansionary and development projects and prospects may also be compromised, or cease to be economical, in the event of a prolonged decline in the market price of copper, and, to a lesser extent, gold or silver. There can be no assurance as to when Capstone's expansion and development projects will be completed under the current anticipated timeline, if at all, whether even if achieved the resulting operations will achieve the anticipated production volumes or whether the costs of developing these projects will be in line with those anticipated. Any failure by Capstone to implement its expansion and development projects as planned may have a material adverse effect on Capstone's growth opportunities.

4.2.25 Risks relating to environmental, construction and mining permits

Mining companies, including Capstone, need many environmental, construction, transportation and mining permits, each of which can be time-consuming and costly to obtain, maintain and renew. In connection with Capstone's current and future operations, Capstone must obtain and maintain a number of permits that impose strict conditions, requirements and obligations on Capstone, including those relating to various environmental and health and safety matters. To obtain, maintain and renew certain permits, Capstone are required to conduct environmental assessments pertaining to the potential impact of Capstone's current and future operations on the environment and to take steps to avoid or mitigate those impacts. For example, additional permits will be required to fully exploit the resources at Capstone's mines. There is a risk that Capstone will not be able to obtain such permits or that obtaining such permits will require more time and capital than anticipated. The regulatory approval process for the updated mine closure plan for the MVDP is currently underway and there is no certainty that it will be approved without any adjustment.

Permit terms and conditions can also impose restrictions on how Capstone operate and limits Capstone's flexibility in developing Capstone's mineral properties. Many of Capstone's permits are subject to renewal from time to time, and renewed permits may contain more restrictive conditions than Capstone's existing permits. In addition, Capstone may be required to obtain new permits to expand Capstone's operations, and the grant of such permits may be subject to an expansive governmental review of Capstone's operations. Alternatively, Capstone may not be successful in obtaining such permits, which could prevent Capstone from commencing, extending or expanding operations or otherwise adversely affect Capstone's business, financial condition, results of operation and prospects. Further, renewal of Capstone's existing permits or obtaining new permits may be more difficult if Capstone are not able to comply with Capstone's existing permits. Applications for permits, permit area expansions, modifications and renewals may be subject to administrative and judicial challenges by interested parties, which can delay or prevent receipt of needed authorisations. The permitting process can also vary by jurisdiction in terms of its complexity and likely outcomes.

Accordingly, permits required for Capstone's operations may not be issued, maintained or renewed in a timely fashion or at all, may be issued or renewed upon conditions that restrict Capstone's ability to operate economically, or may be subsequently revoked. Design, construction and operational standards for tailings storage facilities may evolve in the future, impacting Capstone's mines' ability to expand, operate, renew or modify permits and as a result, considerable capital and/or operating expenditures may be required to comply with new standards, regulations and permitting requirements. Any such failure to obtain, maintain, renew or modify permits, or other permitting delays or conditions, including in connection with any environmental impact analyses or third party challenges, could have a material adverse effect on Capstone's business, results of operations, financial condition and prospects.

4.2.26 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. Capstone's mineral exploration and mining activities may be adversely affected by community unrest, political instability and changes to government regulation relating to the mining industry. Changes to Canadian laws and regulations regarding foreign trade, taxation and investment may negatively affect Capstone's operations and projects.

Changes in governmental leadership in the United States, 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 21 November 2021, took office on 11 March 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 was launched. On 4 September 2022, the first newly proposed constitution was rejected by Chileans, and on 17 December 2023, a new constitution was rejected a second time. As a result, it is uncertain whether another constitutional process will be launched in the next 12 months and whether it will lead to further uncertainty and instability or to further changes to the Chilean political regime and mining related regulations including, but not limited to, changes to royalty structures and environmental and community protection requirements. 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, organised crime, theft, sabotage, strikes, riots, civil commotion, war, civil disturbances and terrorist actions, arbitrary changes in law or policies of particular countries including nationalisation 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 organisations, social perception impacting

Capstone's 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 Capstone's 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 Capstone's financial results. Capstone may encounter social and community issues including but not limited to public expression against Capstone's activities, protests, road blockages, work stoppages, or other forms of expression, which may have a negative impact on Capstone's reputation and operations or projects. The underground environments at Cozamin Mine are complex, with exposure to geotechnical instabilities, hydrological impacts, and mining induced seismicity. Opposition to Capstone's mining activities by local landowners, the ejidos, communities, or activist groups may cause significant delays or increased costs to operations, and the advancement of exploration or development projects, and could require Capstone to enter into agreements with such groups or local governments.

In addition, risks of operations in Mexico include extreme fluctuations in currency exchange rates, high rates of inflation, significant changes in laws and regulations including but not limited to tax and royalty regulations, labour regimes, failures of security, policing and justice systems, corruption, and incidents such as hostage taking and expropriation. There are uncertainties regarding Mexico's 2019 reform of the Federal Labour Law which came into effect on 1 May 2023, and Mining Law Reform, that may have an impact on Cozamin's operations and profitability, including but not limited to strike actions. On 29 April 2023, the Mexican Congress approved a bill submitted by Mexico's President on 28 March 2023 amending several provisions of the Mining Law, the National Water Law, the General Law of Ecological Balance and Environmental Protection, and the General Law for the Prevention and Integral Management of Waste regarding mining and water concessions (the **Initiative**). It is Capstone's understanding that the legislation is not retroactive, therefore, existing mining concessions should remain in effect. The potential impact to Capstone's operations in order to comply with the new laws continue to be analysed. The amended laws have considerable implications for future investment in the Mexican mining industry. These risks in Mexico and Chile may limit or disrupt Capstone's projects, reduce financial viability of local operations, restrict the movement of funds, or result in the deprivation of contract rights or the taking of property by nationalisation 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 organisations 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 recognise, 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.

4.2.27 There are uncertainties related to the impact assessment of the new Mining Royalty in Chile

In August 2023, the proposed Mining Royalty Bill was passed into law and became effective on 1 January 2024.

The Mining Royalty has two components, an ad-valorem component and an operating margin component (**MOM**), and takes into account the level of sales and type of minerals and metals produced. The Mining Royalty includes a maximum limit to the total tax burden, consisting of (1) the corporate income tax paid in the respective year, (2) the Mining Royalty (both ad-valorem and MOM components) and (3) withholding taxes to which owners would be subject to upon distribution of dividends. As a result of new Mining Royalty, Capstone expects that Capstone's effective tax rate in Chile for the Mantoverde Mine and Mantos Blancos Mine will increase. The Mining Royalty is not expected to have an impact on Santo Domingo which has 15 years of tax stability post commencement of commercial production as a result of Decree Law No. 600.

Companies with tax stability agreements in place should be protected from the new Mining Royalty bill. Certain investment and other criteria need to be met to maintain the tax stability agreement at Santo Domingo. This may limit or disrupt Capstone's projects, reduce financial viability of local operations, restrict the movement of funds or result in the deprivation of contract rights.

4.2.28 Title and rights to mineral properties

Title to Capstone's properties may be challenged or impugned. Capstone's property interests may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects. Surveys have not been carried out on the majority of Capstone's properties and, therefore, in accordance with the laws of the jurisdiction in which such properties are situated, their existence and area could be in doubt.

A claim by a third party asserting prior unregistered agreements on or transfer of any of Capstone's properties, especially where mineral reserves have been located, could result in Capstone losing a commercially viable property. Even if a claim is unsuccessful, it may potentially affect Capstone's current operations, projects or development properties due to the high costs of defending against the claim and its impact on Capstone's resources. Title insurance is generally not available for mineral properties and Capstone's ability to ensure that Capstone has obtained a secure claim to individual mineral properties or mining concessions or related royalty rights may be severely constrained. Capstone relies on title information and/or representations and warranties provided by Capstone's grantors. If Capstone loses a commercially viable property, such a loss could lower Capstone's future revenues or cause Capstone to cease operations if the property represented all or a significant portion of Capstone's mineral reserves at the time of the loss.

A claim by a third party asserting royalty rights, including, but not limited to claims by royalty holders asserting increased royalty rights on any of Capstone's properties, could result in Capstone incurring high costs of defending against the claim, and if such claims were successful, such a loss could lower Capstone's future revenues or cause Capstone to cease operations if the property represented all or a significant portion of Capstone's mineral reserves at the time of the loss.

4.2.29 Climate change

The potential physical impacts of climate change on Capstone's operations are highly uncertain and are particular to the geographic circumstances in areas in which Capstone operates. These may include changes in precipitation and storm patterns and intensities, prolonged droughts, water shortages, flooding, wildfires, changing sea levels and changing temperatures. Extreme weather events have the potential to impact Capstone's mining operations, exploration and development projects and supply chains. Additionally, global climatic conditions can impact the capacity for insurance available in the market which could have a negative effect on Capstone's financial condition or risk exposure.

Arizona can be subject to extreme periods of drought. The Colorado River is experiencing low levels in its reservoirs due to climate change and overconsumption, which could result in regulatory reductions in the availability of water which could have a material adverse effect on Pinto Valley's operations and Capstone's financial condition. A prolonged decrease in precipitation rates or increase in temperatures causing evaporation, could decrease the availability of necessary water supplies and could affect operations at the Pinto Valley Mine and materially adversely affect Capstone's results of operations. Prolonged extreme temperatures could lead to work-related heat stress resulting in health and safety risks to employees while working outdoors. Arizona can also be subject to significant rainfall events which could result in excess water or flooding of the pit, tailings storage facilities or other significant areas at the Pinto Valley Mine adversely affecting Capstone's results of operations or causing adverse impacts.

Operations at the Cozamin Mine are also subject to extreme adverse weather conditions including, but not limited to, flooding and drought. The rainy season extends from June until September with an average annual precipitation of approximately 500 mm. Drought has also been prevalent in Central Mexico for years and the effects of lack of water might disrupt normal process operations.

In the past, Chile has experienced droughts severe enough to adversely affect the energy sector of the economy in the central and southern regions of Chile. If Chile were to experience a severe drought or Capstone were otherwise unable to obtain adequate water supplies, its ability to conduct its operations in Chile could be impaired. Additionally, Chile is vulnerable to the El Niño, which can trigger extreme weather resulting in floods and mudslides. Any such landslides or flooding may affect the ability of the development and operations of Mantos Blancos Mine and Mantoverde Mine, and the advancement in development of the Santo Domingo Project and may materially adversely affect Capstone's business, results of operations and financial condition.

4.2.30 Public policy changes in climate change regulatory regime

Climate change is an international and societal concern. The governments of Chile, the United States and Mexico are signatories of the Paris Agreement, a legally binding international treaty on climate change, and have agreed to reduce Greenhouse Gas (**GHG**) emissions as indicated in Nationally Determined Contributions (**NDC**). In 2020, the Chilean government updated its commitment adopting an absolute emissions target of 95 $MtC0_2e$ by 2030 and a 25% reduction in total black carbon emissions by 2030, base

2016. Capstone's operations produce GHG emissions through the direct combustion of fossil fuels and indirectly through electricity consumption. Changes in government policies and regulations aimed at mitigating or adapting to climate change could increase environmental compliance and other operating costs, which could impact the profitability of Capstone's operations or projects or lead to delays.

Changes in government policies and regulations aimed at mitigating climate change might include limiting the amount of GHG emissions Capstone can produce, requiring Capstone to look for alternative energy sources and the imposition of carbon emissions taxes. Some risks related to this are, increased competition for renewable energy, which could impact costs of acquiring it or reduce the availability. Capstone's ability to shift its energy mix toward renewables depends in part on Capstone's countries of operation investing in renewable power generation. Regulation specific to GHG emissions and energy efficiency is evolving and varies by jurisdiction. Under Chile's Energy Efficiency Law, Mantos Blancos Mine and Mantoverde Mine (as large energy consumers) are required to report total energy consumption, energy uses and energy intensity. The introduction of carbon emissions taxes or other carbon-pricing mechanisms may be introduced in the jurisdictions Capstone operates or conduct business could increase costs. Chile introduced a new green tax which came into effect in January 2023 and applies to operations and emission sources reaching a certain threshold. Mantos Blancos Mine and Mantoverde Mine currently do not meet the threshold, however, any future changes to the green tax scope or changes to Capstone's Chile operations may result in future tax obligations.

Other changes in government regulation aimed at adapting to climate change such as water scarcity in Capstone's regions of operation may result in limited access to water sources due to increased regulation, impacting Capstone's ability to acquire the water needed for Capstone's operations. New legislation and increased regulation could impose costs on Capstone's operations, customers, and suppliers, including increased energy, capital equipment, environmental monitoring and reporting and other costs to comply with such regulations. Capstone monitors the evolving regulation landscape and engages its local legal counsel to provide updates on regulatory developments. The implementation of regulations and carbon-pricing mechanisms aimed at reducing the effects of climate change could impact Capstone's ability to pursue future opportunities, or maintain Capstone's existing operations, which could have an adverse effect on Capstone's business. Capstone may decide to pursue carbon reduction strategies which could result in higher operational costs or increased capital outlays. Capstone's disclosure of carbon emissions produced or forecasted may be determined to be inaccurate depending on the methodology used and may be adjusted from time to time in relation to mine planning.

4.2.31 Governmental regulation risks

Capstone's mineral exploration, development, construction, and operating activities are subject to governmental approvals and various laws and regulations governing development, operations, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use and land claims affecting local communities, and in certain circumstances First Nations and Indigenous populations consultation as part of permitting processes. The liabilities and requirements associated with the laws and regulations related to these and other matters may be costly and time-consuming and may restrict, delay or prevent commencement or continuation of exploration or production operations. Capstone cannot provide definitive assurance that Capstone have been or will be at all times in compliance with all applicable laws and regulations and governmental orders. Failure to comply with applicable laws, regulations and governmental orders may result in the assessment of administrative, civil and criminal penalties or charges, the imposition of cleanup and site restoration costs and liens, the issuance of injunctions to limit or cease operations, the suspension or revocation of permits or authorisations and other enforcement measures that could have the effect of limiting or preventing production from Capstone's operations. Capstone may incur material costs and liabilities resulting from claims for damages to property or injury to persons arising from Capstone's operations. If Capstone is pursued for sanctions, costs and liabilities in respect of these matters, Capstone's mining operations and, as a result, Capstone's financial performance, financial position and results of operations, could be materially and adversely affected.

In addition, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail Capstone's exploration, development, construction, or production. This risk may increase following changes to government leadership or governing parties, or through increasing societal pressures. Amendments to current laws, tax regimes, regulations and permits governing operations and activities of mining and exploration companies, or the more stringent implementation thereof, could have a material adverse impact on Capstone and increase Capstone's exploration expenses, capital expenditures, ability to attract funds, or production costs or reduce production at Capstone's producing properties or require abandonment or delays in exploring or developing Capstone's properties.

4.2.32 Environmental laws and regulations risks

Capstone's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, air quality, tailings facility management, safety and other matters. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining operations, such as spills or excessive dust from tailings storage facilities or other operations, which could result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain of Capstone's operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in the direction of stricter standards and enforcement, higher fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors, officers and employees. Compliance with changing environmental laws and regulations may require significant capital outlays, including but not limited to modifications to tailings facility designs or operations, obtaining modified or additional permits, installation of additional equipment, or remedial actions and may cause material changes or delays in, or the cessation of, Capstone's exploration programs or current operations.

4.2.33 Land reclamation and mine closure requirements

Land reclamation and mine closure requirements are generally imposed on mining companies, which require Capstone, amongst other things, to minimise 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 16 March 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 Capstone 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 Capstone's financial performance, financial position and results of operations and may cause the Company to alter its operations. Although Capstone include liabilities for estimated reclamation and mine closure costs in Capstone's financial statements and LOM models, it may be necessary to spend more than what is projected to fund required reclamation and mine closure activities.

4.2.34 Adequacy and availability of infrastructure

Capstone's mining, development and exploration activities depend on availability of adequate infrastructure. Capstone requires reliable and accessible roads, railways, ports, power sources and water supplies to access and conduct its operations, and the availability and cost of this infrastructure affect capital and operating costs and its ability to achieve and maintain expected levels of production and sales. Unusual weather or other natural phenomena, sabotage, strikes, riots, civil commotion, political interference or other interference in the maintenance or provision of such infrastructure could affect the development of a project, reduce mining volumes, increase mining or exploration costs or delay the transportation of raw materials to the mines and outputs to Capstone's customers. Any such issues arising with respect to the infrastructure supporting or on Capstone's sites, or involved in Capstone's transport activities, could adversely affect the Company's business, results of operations or financial condition.

Furthermore, any failure or unavailability of Capstone's development or operational infrastructure, including through equipment failure or disruption to Capstone's transportation arrangements, could adversely affect the production output from Capstone's mines or impact Capstone's exploration activities or the development of a mine or project.

4.2.35 Cybersecurity risks

Capstone rely on secure and adequate operations of information technology systems in the conduct of Capstone's operations. Access to and security of the information technology systems are critical to Capstone's operations. Capstone have enhanced and implemented ongoing policies, controls and practices to manage and safeguard Capstone and Capstone's stakeholders from internal and external cybersecurity threats and to comply with changing legal requirements and industry practice. Given that cyber risks cannot be fully mitigated and the evolving nature of these threats, Capstone cannot assure that Capstone's information technology systems are fully protected from cybercrime or that the systems will not be inadvertently compromised or are without failures or defects.

Disruptions to Capstone's information technology systems, including, without limitation, security breaches, power loss, theft, computer viruses, cyber-attacks, malicious software, ransomware, natural disasters, and non-compliance by third party service providers and inadequate levels of cybersecurity expertise and safeguards of third party information technology service providers, may adversely affect the operations of Capstone including but not limited to loss of production or operational delays as well as present significant costs and risks including, without limitation, loss or disclosure of confidential, proprietary, personal or sensitive information and third party data, material adverse effect on Capstone's financial performance, compliance with Capstone's contractual obligations, compliance with applicable laws, damaged reputation, remediation costs, potential litigation, regulatory enforcement proceedings and heightened regulatory scrutiny.

4.2.36 Capstone is a foreign company

Capstone is incorporated under the laws of the province of British Columbia, Canada, and listed on the TSX. Accordingly, Capstone is subject to foreign corporate governance requirements and securities laws, which may differ from corporate governance requirements and securities laws applicable in an investor's place of residence (including Australia).

The foreign aspects of the organisation, management and officers of Capstone may make it more difficult for Shareholders to enforce their legal rights than if Capstone was organised, managed and incorporated in Australia. The common law and statutory rights of shareholders under Canadian laws may be less extensive than statutory rights available to shareholders under the laws of Australia.

The rights of Shareholders will be governed by the respective rules of the TSX and applicable Canadian securities laws, but, other than in certain limited situations, not by the Corporations Act.

A summary of the Canadian laws as applicable to Capstone can be found at Section 8.6.

4.2.37 Arrangements with non-controlling shareholders and associates

In the course of Capstone's business, it may control additional subsidiaries where there is a non-controlling interest or have significant influence over associates or enter into further joint ventures in the future. For example, as part of the financing of the MVDP, Mitsubishi Materials acquired a 30.0% interest in the Mantoverde Mine for US$275 million, subject to an additional contingent payment of US$20 million from Mitsubishi Materials to Mantoverde in the event the Mantoverde Mine receives approval to increase its tailings storage capacity by an additional 500,000 tonnes. In addition, Mitsubishi Materials agreed to provide a US$60 million cost overrun facility in exchange for additional offtake of copper concentrate and a subsidiary of Capstone entered into the MV Shareholders Agreement (see Section 7.1) with Mitsubishi Materials and Mantoverde S.A. dated 8 February 2021, relating to the ongoing management of the Mantoverde Mine. As such, Capstone is subject to risks associated with its non-controlling shareholders or any future joint venture partners, including that they may (i) have economic or business interests or goals that are inconsistent with or opposed to Capstone's, (ii) exercise veto rights so as to block actions Capstone believes to be in its or its subsidiaries; or joint ventures' best interests, (iii) take action contrary to Capstone's policies or objectives with respect to its investments, for instance by veto of proposals in respect of a subsidiary or joint venture, or (iv) as a result of financial or other difficulties, be unable or unwilling to fulfill their obligations under the joint venture or other agreements. Any of the foregoing may adversely affect Capstone's business, results of operations or financial condition through the disruption of mining operations or the delay or non-completion of the relevant development projects. In addition, the exit of these non-controlling shareholders or the termination of these joint ventures, if not replaced on similar terms, could adversely affect Capstone's business, results of operations or financial condition.

4.2.38 Risk of dilution

Capstone may issue common shares and CDIs from time to time to raise additional capital to finance its continued growth or other future developments. The amount and timing of such additional financing needs will vary primarily on the amount of cash from the Capstone Group's operations. There is a risk that the issue of additional common shares or CDIs will result in the ownership interest of existing equity holders in Capstone from time to time being diluted.

Further, the exercise of any of stock options, share units, other share-based compensation and share purchase warrants and the subsequent resale of such common shares in the public market could adversely affect the prevailing market price and

Capstone's ability to raise equity capital in the future at a time and price which it deems appropriate. Capstone may also enter into commitments in the future which would require the issuance of additional common shares (or CDIs) and Capstone may grant additional share purchase warrants and stock options. Any share issuances from Capstone's treasury will result in immediate dilution to existing shareholders' percentage interest in Capstone.

4.2.39 Capstone has not paid dividends and may not pay dividends in the foreseeable future

Payment of dividends on common shares (and CDIs) is within the discretion of the Directors and will depend upon Capstone's future earnings if any, its capital requirements and financial condition, and other relevant factors. Capstone anticipates that all available funds will be invested to finance the growth of its business for the foreseeable future.

4.2.40 Share price risk

Sales of a substantial number of common shares (including via CDIs) in the public market could occur at any time. These sales, or the market perception that the holders of a large number of common shares (or CDIs) intend to sell common shares (or CDIs), could reduce the market price of the common shares (or CDIs). If this occurs and continues, it could impair Capstone's ability to raise additional capital through the sale of securities.

4.2.41 Concentration of Shareholdings

Public shareholders have limited control over changes in Capstone's policies and operations, which increased the uncertainty and risks of an investment in us. The Board determines major policies, including policies regarding financing, growth, debt capitalisation and any future dividends to shareholders. Generally, the Board may amend or revise these and other policies without a vote of the shareholders. Board's broad discretion in setting policies and the limited ability of shareholders to exert control over those policies increases the uncertainty and risks of an investment in us.

As at the date hereof, Orion Fund JV Limited, Orion Mine Finance Fund II LP and Orion Mine Finance (Master) Fund 1-A LP (collectively, **Orion**) own approximately 20.31% of the outstanding common shares and Hadrian Capital Partners Inc. owns approximately 13.38% of the outstanding common shares. See news release "Capstone Copper and Orion Announce Closing of C$328 Million Secondary Bought Deal Offering of Common Shares" dated 31 March 2023 and "Capstone Copper and Orion Announce Closing of C$431 Million Bought Deal" dated 8 February 2024. Following the closing of the Bought Deal Capital Raising, Orion, in the aggregate, beneficially own 152,936,179 common shares, representing 20.31% of the outstanding common shares. As part of the Bought Deal Capital Raising, Orion has agreed, subject to certain limited exceptions, not to sell any common shares or other securities of Capstone for a period of 90 days from the closing of the Bought Deal Capital Raising.

As long as these shareholders maintain their significant positions in Capstone, they will have the ability to exercise influence with respect to the affairs of Capstone and significantly affect the outcome of matters upon which shareholders are entitled to vote. Furthermore, there is a risk that Capstone's securities are less liquid and trade at a relative discount compared to circumstances where these shareholders did not have the ability to influence or determine matters affecting Capstone. Moreover, there is a risk that their significant interests in Capstone discourages transactions involving a change of control of Capstone, including transaction in which an investor, as a holder of Capstone's securities, would otherwise receive a premium for its Capstone's securities over the then-current market price. A disposition of shares by these shareholders could adversely affect the market price of the common shares.

Pursuant to the Registration and Nomination Rights Agreement (as summarised in Section 7.7) between Capstone and Orion dated 23 March 2022, provided Orion maintains certain levels of ownership of the common shares, Orion: (i) has rights to nominate up to two individuals to sit on the Board of Directors; and (ii) may demand Capstone file one or more prospectuses or otherwise facilitate sales of Orion's shares.

4.2.42 Sustainable Development Strategy

Capstone bases its Sustainable Development Strategy goals and strategies on a number of assumptions, including biodiversity and climate-change consequences; availability and effectiveness of technologies needed to achieve Capstone's sustainability goals and priorities; availability of land or other opportunities for conservation, rehabilitation or capacity building on commercially reasonable terms and Capstone's ability to obtain any required external approvals or consensus for such opportunities; the availability of clean energy sources and zero-emissions alternatives on reasonable terms; Capstone's ability to successfully implement new technology; and the performance of new technologies in accordance with Capstone's expectations.

4.2.43 Corruption and bribery risk

Capstone is required to comply with anti-corruption and anti-bribery laws of various countries including but not limited to, Canada, US, Mexico, Barbados, United Kingdom and Chile. In recent years there has been an increase in enforcement and severity of penalties under such laws. A company may be found liable for violations by officers, directors, employees, contractors and third parties. Capstone has implemented policies and taken measures including training to mitigate the risk of non-compliance, however, such measures are not always effective in ensuring that Capstone, its officers, directors, employees, contractors and third parties comply strictly with such laws. If Capstone is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions resulting in a material adverse effect on Capstone's reputation and financial results.

4.3 General risks

4.3.1 Liquidity of CDIs

If the number of CDIs quoted on ASX is less than the number of outstanding Shares listed on the TSX, it is possible that the market for CDIs on the ASX may be less liquid than the market for Shares on the TSX. This may have the effect of reducing the volume of CDIs that can be bought and sold on ASX and the speed with which they can be bought and sold.

This reduced liquidity may also result in CDIs trading on ASX at a discount to Shares on the TSX. However, subject to Capstone receiving TSX approval, a holder of CDIs can convert their CDIs into Shares tradeable on the TSX at any time, should the holder wish to access the market in Shares on the TSX.

4.3.2 Different rights as a CDI holder

The holder of a CDI has an indirect, beneficial interest in a Share underlying their CDI instead of directly owning the Share. This means that the holder of a CDI is not the registered legal holder of the underlying Share and therefore cannot directly trade the underlying Share and is a beneficial holder (rather than a registered legal holder) of the underlying Share.

The differences between Shares and CDIs are summarised in Section 8.2.

4.3.3 Pandemics or other public health crises, including COVID-19

The outbreak of COVID-19, and the future emergence and spread of a similar or other infectious diseases and viruses, could have a material adverse effect on global economic conditions and adversely impact Capstone's business and operations, as well as the operations of Capstone's suppliers and service providers, and impact the demand for copper or base metal prices.

The global effects of the outbreak of the COVID-19 virus are still evolving and could have a material effect on Capstone's overall financial health currently, and in the future, including but not limited to impacts to revenue, earnings and cash flows, increased volatility in financial markets and foreign currency exchange rates. The effects could have a negative impact on copper prices and cause governmental actions to contain the outbreak which may impact Capstone's ability to transport or market Capstone's concentrate or cause disruptions in Capstone's supply chains or interruption of production.

Disruptions in the supply chain for critical components for operations or critical equipment and materials for Capstone's construction projects may cause operational and project delays which are outside of Capstone's control.

A material spread of COVID-19 or other pathogens of infectious diseases in jurisdictions where Capstone operates could impact Capstone's ability to staff operations or cause governmental action to order a suspension of production including but not limited to a subsequent Federal or State Decree for the suspension of mining operations in Mexico or Zacatecas, or a suspension of mining or other activities in the United States or Chile. A reduction in production or other COVID-19 related impacts, including but not limited to, low copper prices could cause Capstone to defer strategic projects or operational plans in order to preserve cash flows. An outbreak of the COVID-19 or other infectious diseases at Capstone's operations could cause reputational harm and negatively impact Capstone's social licence to operate. This could negatively impact Capstone's share price. An outbreak in jurisdictions that Capstone operate in could cause governmental agencies to close for prolonged periods of time causing delays in regulatory permitting processes. The overall global effects, indirect or direct, could cause any of Capstone's surety providers to cancel Capstone's bonds or call for alternative security including Minto for which Capstone Mining and Capstone Copper are each an Indemnitor.

During the pandemic, there has been a significant increase in cybersecurity and other information technology risks due to increased fraudulent activity and the increased number of employees working remotely.

A global pandemic could cause temporary closure of businesses in regions that are significantly impacted by health crises, or cause governments to take preventative measures such as the closure of points of entry, including ports and borders. Any government restrictive measures along with market uncertainty could cause an economic slowdown resulting in a decrease in the demand for copper and have a negative impact on base metal prices.

4.3.4 Commodity price risk

Capstone's business is largely concentrated in the copper mining industry, and as such Capstone's profitability will be sensitive to changes in, and Capstone's performance will depend, to a greater extent, on the overall condition of the copper mining industry. The commercial viability of Capstone's properties and Capstone's ability to sustain operations is dependent on, amongst other things, the market price of copper, cobalt, zinc, iron, gold, and silver. Depending on the expected price for any minerals produced, Capstone may determine that it is impractical to continue commercial production at the Mantos Blancos Mine, Mantoverde Mine, Pinto Valley Mine or the Cozamin Mine, or to develop the Santo Domingo Project. A reduction in the market price of copper, cobalt, zinc, gold, silver, or iron may prevent Capstone's properties from being economically mined or result in the write-down of assets whose value is impaired as a result of low metals prices. The market price of copper, cobalt, zinc, iron, gold, and silver is volatile and is impacted by numerous factors beyond Capstone's control, including, amongst others:

- the supply/demand balance for any given metal;
- international economic and political conditions;
- tariffs or taxes imposed by governments;
- expectations of inflation or deflation;
- international currency exchange rates;
- interest rates;
- global or regional consumptive patterns;
- speculative activities;
- global or regional crises or breakout and spread of contagious illnesses or diseases;
- increased production due to new mine developments;
- decreased production due to mine closures;
- improved mining and production methods;
- availability and costs of metal substitutes;
- new technologies that use other materials in place of Capstone's products;
- metal stock levels maintained by producers and others; and
- inventory carry costs.

The effect of these factors on the price of base and precious metals cannot be accurately predicted and there can be no assurance that the market price of these metals will remain at current levels or that such prices will improve. A decrease in the market price of copper, cobalt, zinc, iron, gold, or silver would affect the profitability of the Mantos Blancos Mine, Mantoverde Mine, Pinto Valley Mine and the Cozamin Mine and viability of the Santo Domingo Project, and could affect Capstone's ability to finance the exploration and development of Capstone's other properties and projects, which would have a material adverse effect on Capstone's business, financial condition, results of operations and prospects. Within this industry context, the Company's strategy is to maintain a cost structure that will allow it to achieve adequate levels of cash flow during the low point in the copper price cycle. Circumstances may arise, however, where increased certainty of cash flows is considered more important to long term value creation than providing investors short term exposure to the volatility of metal prices. In these circumstances, the Company may elect to fix prices within a contractual quotational period and/or to lock in future prices, interest or foreign exchange rates through the variety of financial derivative instruments available. Capstone has hedging agreements in place, particularly with respect to production at Mantoverde Mine in connection with the MVDP. There are risks associated with programs to fix prices or rates including, amongst other things, the risk that the counter party will not be able to meet their obligations, the risk of opportunity losses in the event of declining interest rates, an increase in the world price of the commodity, the possibility that rising operating costs or a significant production interruption event, will make delivery into hedged positions or off-take agreements uneconomic.

4.3.5 Foreign currency exchange rate risks

Fluctuations in the Mexican and Chilean peso relative to the US Dollar could significantly affect Capstone's business, financial condition, results of operations and prospects. Exchange rate movements can have a significant impact on Capstone as all of Capstone's revenue is received in US Dollars, but a portion of the Company's operating and capital costs are incurred in Mexican and Chilean pesos. Given the relevance of the copper mining industry in the Chilean economy and trade balance, a negative correlation has historically been observed between the US Dollar and the Chilean peso exchange rate and the copper price. An increase in the copper price will tend to reflect a strengthening of the Chilean peso relative to the US Dollar which increases operating and other costs exposed to the Chilean peso. Also, Capstone is also exposed to currency fluctuations in the Canadian dollar relating to general and administrative expenditures and the Chilean peso relating to expenditures for the Santo Domingo Project. As a result, a strengthening of these currencies relative to the US Dollar will reduce Capstone's profitability and affect its ability to finance its operations.

4.3.6 The sale of Capstone's metals is subject to counterparty and market risks

Capstone enters into concentrate off-take agreements whereby a percentage of planned production of copper concentrate produced from Capstone's mines is committed to various external parties throughout the calendar year. If any counterparty to any off-take or forward sales agreement does not honour such arrangement, or experiences an unforeseeable event preventing fulfillment of the contract or should any such counterparty become insolvent, Capstone may experience longer sales cycles, difficulty in collecting sales proceeds, incur losses on production already shipped or be forced to sell a greater volume of Capstone's production in the spot market, which is subject to market price fluctuations. In addition, there can be no assurance that Capstone will be able to renew any off-take agreement at economic terms, or at all, or that Capstone's production will meet the qualitative and quantitative requirements under such agreements.

In addition, under Capstone's off-take agreements, Capstone or its customers may suspend or cancel delivery during a period of force majeure. Events of force majeure under the agreements may include acts of nature, strikes, fires, floods, wars, transportation delays, governmental actions or other events that are beyond the control of the affected party and interferes with performance by such party of its obligations under the off-take agreement. In addition, a longstanding event of force majeure may give rise to a right to terminate the relevant off-take agreement. Any suspension or cancellation of deliveries under off-take agreements that are not replaced by delivery under new contracts or sales on the spot market, or the termination of off-take agreements for force majeure, could have a material adverse effect on Capstone's business, financial condition, results of operations or prospects.

Capstone is subject to fluctuations in the cost of ocean vessel freight, which could result in higher costs. The cost of ocean vessel freight is impacted by numerous factors including but not limited to the supply and demand of bulk and container vessels, the supply and demand of commodities or goods that require shipment via vessel, the cost and availability of fuel, global crisis or political events, and environmental regulations. Capstone may elect from time to time to enter into contracts of affreightment to maintain certainty of freight prices for a specific period of time.

4.3.7 Forward-looking statements

The forward-looking statements relating to, among other things, Capstone's future results, performance, achievements, prospects or opportunities included in this Prospectus are based on Capstone's opinions, assumptions and estimates made by Capstone in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors Capstone believes are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Capstone's actual results in the future may vary significantly from historical and estimated results and those variations may be material. There is no representation by Capstone that actual results achieved by Capstone in the future will be the same, in whole or in part, as those included in this Prospectus.

4.3.8 The price of common shares (and CDIs) is volatile

The market price for Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Capstone's control, including but not limited to the following:

(a) actual or anticipated fluctuations in Capstone's quarterly results of operations;

(b) actual or anticipated fluctuations to the capital requirements of Capstone's properties;

(c) changes in estimates of the future results of operations by Capstone;

(d) changes in forecasts, estimates or recommendations of securities research analysts regarding the future results of operations or financial performance;

(e) changes in the economic, operating, performance or market valuations of other companies in the industry in which Capstone operates or of other companies that investors deem comparable to us;

(f) failure of securities analysts to initiate or maintain coverage of us, changes in ratings and financial estimates and the publication of other news by any securities analysts who follow it, or Capstone's failure to meet these estimates or the expectations of investors;

(g) release or expiration of lock-up or other transfer restrictions on outstanding Shares or securities issuable upon exchange of options;

(h) price and volume fluctuations in the trading of the Shares and CDIS, and in the overall stock market, including as a result of trends in the economy as a whole;

(i) changes in general political, geopolitical, economic, industry and market conditions and trends;

(j) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Capstone or its competitors;

(k) new laws or regulations or new interpretations of existing laws or regulations applicable to Capstone's business or industry;

(l) lawsuits threatened or filed against Capstone for claims relating to intellectual property, employment issues, or otherwise;

(m) sales or perceived intent to sell Shares or CDIs by Capstone's insiders or the issuance of additional Shares or CDIs by Capstone;

(n) the size of the public float of the Shares;

(o) changes in the Board, management or other key personnel;

(p) short sales, hedging, and other derivative transactions involving the Shares or CDIs; and

(q) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in Capstone's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Shares may decline even if Capstone's business, financial condition and results of operations or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of Capstone's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in the Offer by those institutions, which could materially adversely affect the trading price of the Shares. There can be no assurance that fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, Capstone's business, financial condition and results of operations could be materially adversely impacted and the trading price of the Shares or CDIs could also be materially adversely affected.

4.3.9 Market access restrictions or tariffs risks

Capstone could experience market access interruptions or trade barriers due to policies or tariffs of individual countries, or the actions of certain interest groups to restrict the import of certain commodities. Regional and global crises including but not limited geopolitical instability and conflict or the breakout of contagious illnesses and global pandemics could significantly impact Capstone's ability to or costs to market and transport Capstone's concentrate or cathode. Restrictions or interruptions in Capstone's ability to transport concentrate or cathode across country borders and globally could materially affect Capstone's business operations. Capstone's exported copper concentrate or cathode, or the supplies Capstone import may also be impacted, which may impair the competitiveness of Capstone's business.

4.3.10 Risks associated with general economic conditions or changes in consumption

Many industries, including the base and precious metals mining industry, are cyclical by nature and fluctuate with economic cycles and are impacted by global market conditions. Capstone's revenues depend on the volume of copper it sells and the price for such copper, which in turn depends on the level of industrial and consumer demand for such metal. Demand for copper is largely driven by the electric vehicle sector, construction industry, electronic product manufacturing, power generation, transmission and distribution, renewable energy and the production of industrial machinery. Some of the key impacts of financial market turmoil include contraction in credit markets resulting in an increase in credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and metals markets, and a lack of market liquidity. A slowdown in the financial markets, financial stress of banks and other credit market participants, or other economic conditions, including, but not limited to, reduced consumer spending, increased unemployment rates, deteriorating business conditions, inflation, deflation, volatile fuel and energy costs, increased consumer debt levels, lack of available credit, changes in interest rates and changes in tax rates or government royalty rates, may adversely affect Capstone's growth and profitability potential. Specifically:

- a global credit/liquidity issue could impact the recoverability of Capstone's cash and cash equivalents and the cost and availability of financing and Capstone or Capstone's customers' overall liquidity;

- volatility of prices for copper, zinc, iron, gold, and/or silver may impact Capstone's future revenues, profits and cashflows;

- recessionary pressures could adversely impact demand for Capstone's production;

- volatile energy and sulphuric acid prices, commodity and consumables prices and currency exchange rates could negatively impact potential production costs; and

- devaluation and volatility of global stock markets could impact the valuation of Capstone's securities, which may impact Capstone's ability to raise funds through future issuances of equity.

These factors could have a material adverse effect on Capstone's business, financial condition, results of operations and prospects. In addition, as the Company's operations expand and reliance on global supply chains increase, the impact of significant geopolitical risk and conflict globally may have a sizeable and unpredictable impact on the Company's business, financial condition and operations. The ongoing conflict in Ukraine and the global response to this conflict as it relates to sanctions, trade embargos and military support has resulted in significant uncertainty as well as economic and supply chain disruptions. Should this conflict go on for an extended period of time, expand beyond Ukraine, or should other geopolitical disputes and conflicts emerge in other regions, this could result in material adverse effects to the Company.

4.3.11 Tax considerations

An investment in CDIs involves tax considerations which may differ from each CDI Holder. As a prospective investor, you are encouraged to obtain professional tax advice in connection with any investment in CDIs.

4.3.12 Legal proceedings

From time to time, Capstone is involved in routine legal matters, including but not limited to, regulatory investigations, claims, lawsuits, contract disputes and other proceedings in the ordinary course of Capstone's business.

There can be no assurances that these matters will not have a material effect on Capstone's business.

4.3.13 Industry research

The trading market for the Shares relies in part on the research and reports that industry or financial analysts publish about Capstone or its business. If one or more of the analysts who cover Capstone downgrade their evaluations of the Shares or the value thereof, or publish inaccurate or unfavourable reports about Capstone's business, the trading price of Shares and CDIs may decline. Similarly, the trading price of the Shares may decline if Capstone's actual results of operations do not match analysts' projections. If one or more of these analysts cease coverage of Capstone or fail to publish reports on

Capstone regularly, Capstone could lose visibility in the market for the Shares, which could cause the trading price and volume of the Shares and CDIs to decline.

4.3.14 Investors may lose their entire investment

An investment in the Offer is speculative and may result in the loss of an investor's entire investment. Only potential investors who are experienced in high risk investments and who can afford to lose their entire investment should consider an investment in Capstone.

5 KEY PEOPLE, INTERESTS, AND BENEFITS

5.1 Board of Directors

The Directors bring extensive industry experience to the Capstone Board. The Board includes residents of Canada, Chile, England, Italy and the USA. The Board's functional skills include corporate governance, asset development, accounting, finance and government policy, combined with deep industry experience in mining, exploration and development, and project evaluation.

5.1.1 Darren Pylot

Director and Chair

Mr. Pylot has over 25 years of executive management experience in the resource sector. In 2006, he founded Capstone Mining, where he held the position of President & CEO for over 15 years. In 2022, following the business combination of Capstone Mining and Mantos Copper, he became Executive Chair of Capstone Copper's Board of Directors. Under his leadership, since 2006 Capstone has grown from a single-asset company operating the Cozamin mine, into a leading intermediate copper producer, developer and explorer through the acquisitions of Sherwood Copper (Minto mine and Kutcho project), Far West Mining (Santo Domingo Project), the Pinto Valley mine from BHP Billiton Ltd., and the recent business combination with Mantos Copper (Mantos Blancos Mine and Mantoverde Mine). Mr. Pylot also serves as a director at Zena Mining Corp.

Mr. Pylot resides in Canada.

5.1.2 Peter Meredith

Lead Independent Director

Audit Committee – Member

Human Resource & Compensation Committee – Chair

Mr. Meredith serves as the Lead Independent Director of Capstone and currently serves on the board of Ivanhoe Mines Ltd. Previously, Mr. Meredith served as Chairman of the Board of Great Canadian Gaming Corporation, Deputy Chairman of Turquoise Hill Resources Ltd. (formerly the original Ivanhoe Mines), Kaizen Discovery Inc., SouthGobi Resources Ltd. And Peregrine Diamonds Ltd. Prior to joining Ivanhoe Mines Ltd., Mr. Meredith spent thirty-one years with Deloitte LLP, Chartered Professional Accountants, and retired as a partner in 1996. Mr. Meredith is a Chartered Professional Accountant, (CPA, CA) and is a member of the Chartered Professional Accountants of British Columbia and the Chartered Professional Accountants of Ontario.

Mr. Meredith resides in Canada.

5.1.3 Alison Baker

Director

Audit Committee – Chair

Human Resource & Compensation Committee – Member

Ms. Baker is a corporate director with over 25 years of experience in providing audit, capital markets, advisory and assurance services. She previously led the UK and EMEA Oil & Gas Practice for PricewaterhouseCoopers LLP and the UK Energy, Utilities and Mining Assurance Practice for Ernst & Young LLP. She currently serves as a director at

Endeavour Mining plc, Helios Towers plc and Rockhopper Exploration plc and previously held board roles at KAZ Minerals plc and Centamin plc. Ms. Baker is a Chartered Accountant (CA) of the Institute of Chartered Accountants of England and Wales and holds a Bachelor of Science in Mathematical Sciences from the University of Bath.

Ms. Baker resides in England.

5.1.4 Robert J. Gallagher

Director

Technical & Operational Performance Committee – Chair

Governance, Nominating & Sustainability Committee – Member

Mr. Gallagher has worked in the mining industry for more than 40 years and has extensive experience in the development and operation of large-scale mining projects. Most recently, he was President & CEO and a director of New Gold, an intermediate gold producer with projects on three continents. In addition to Capstone, Mr. Gallagher serves as a director of Southern Arc Minerals Inc. and was formerly director at Japan Gold Corp. and at BC Hydro (a crown corporation). Prior to the merger of Peak Gold, Metallica Resources and New Gold, he was the President and CEO of Peak Gold. Previously, he spent 15 years with Placer Dome Inc. and 7 years with Newmont Mining Corporation, most recently as Vice President Operations of Newmont Asia Pacific. During his time at Newmont, Mr. Gallagher oversaw the completion of development and operation of the Batu Hijau Mine, the billion-ton, world-class copper-gold mine located in Indonesia and was responsible for seven smaller mines in Australia and New Zealand.

Mr. Gallagher resides in the USA.

5.1.5 Anne Giardini, KC

Director

Governance, Nominating & Sustainability Committee – Chair

Audit Committee – Member

Ms. Anne Giardini, KC, has over 35 years' experience as a lawyer, senior executive, director, journalist and author, and has held a number of senior advisory roles. Ms. Giardini had a 20+-year career with Weyerhaeuser, including as General Counsel and subsequently President of Weyerhaeuser's Canadian subsidiary. Ms. Giardini also brings extensive board experience, currently serving on the board of Stella-Jones Inc., and as Chair of K92 Mining Inc. She was previously Chair of the Greater Vancouver Board of Trade and Chair of the British Columbia Achievement Foundation, and served on numerous boards including Pembina Institute, Weyerhaeuser Company Limited; Nevsun Resources Ltd.; Thompson Creek Metals Company Inc; HydroOne, and TransLink. In 2016, Ms. Giardini was made an Officer of the Order of Canada and in 2018 she was admitted to the Order of British Columbia. She is an active community volunteer, author and public speaker, recognised for expertise on natural resource development, public and government relations, safety, risk and brand management, and manufacturing. Ms. Giardini holds an L.L.M. from Trinity Hall, University of Cambridge, an L.L.B. from the University of British Columbia, and a B.A. (Economics) from SFU.

Ms. Anne Giardini, KC, resides in Italy.

5.1.6 Patricia Palacios

Director

Patricia Palacios brings over 30 years of experience as a lawyer, advisor, director, and senior corporate executive in the renewable energy industry. Ms. Palacios has served as a board director for a wide array of industries for the last 12 years and is recognised for her expertise in corporate governance, people management and risk management for the renewable energies sector. Currently, she is serving on the boards of Corporación Universidad de Concepción, Instituto Profesional Virginio Gómez, Consorcio Eólico, and serves as a counselor of the Comité de Desarrollo Productivo de Biobío. Previously. Ms. Palacios served as Board Chair of IRADE, a non-profit corporation, and held board positions in EMPORMONTT, a stated owned port; Asociación de Empresas de Gas Natural (AGN), and Sociedad Plaza Casino. She has held executive positions in AME SPA and Innergy Holdings, SA, Gasoducto del Pacífico S.A. (GPC) and Gasoducto del Pacífico Argentina S.A. (GPA). Ms. Palacios holds a Law degree from Universidad de Concepción, a Masters degree in Human Resources and Organization Development from University of Louisville, and a postgraduate diploma in Antitrust and Regulation from Pontificia Universidad Católica de Chile.

Ms. Palacios resides in Chile.

5.1.7 Gordon Bell

Director

Mr. Bell is a corporate director and has over 30 years experience in the mining industry, most recently Vice Chairman for the Mining and Metals Group of RBC Capital Markets. Previously he was the Global Head for RBC's Mining & Metals Group. He has global expertise in corporate strategy, debt and equity financing, shareholder engagement, and mergers and acquisitions. Mr. Bell has a Bachelor of Science in Mining Engineering from Queens University in Kingston, Ontario and an MBA from Washington University in St. Louis, Missouri.

Mr Bell resides in Canada.

5.1.8 John MacKenzie

Director and Chief Executive Officer

John MacKenzie was appointed Chief Executive Officer and member of the Board of Directors of Capstone Copper in March 2022 following the combination of Capstone Mining and Mantos Copper. John was previously the Executive Chairman and Founder of Mantos Copper for over 6 years. He has over 30 years of operational and investment experience in the metals and mining sector, with over 27 years of executive management experience from his past roles as CEO at Audley Capital, CEO Copper at Anglo American, and CEO Zinc at Anglo Base Metals. Mr. MacKenzie currently serves as a non-executive director at Horizonte Minerals Plc. He has a Master of Science in Mining Engineering from the University of the Witwatersrand, a Master of Business Leadership from the University of South Africa and completed the Advanced Management Program at Harvard Business School.

Mr. MacKenzie resides in Canada.

5.2 Director disclosures

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director or which is relevant to an investor's decision as to whether to subscribe for Shares.

Other than as disclosed herein, no Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

Mr Peter Meredith served as a director of Ivanhoe Energy Inc. (**Ivanhoe Energy**) from December 2007 to December 2014. On 20 February 2015, Ivanhoe Energy filed a Notice of Intention to Make a Proposal under subsection 50.4(1) of the Bankruptcy and Insolvency Act (Canada). Cease trade orders were issued against Ivanhoe Energy in Alberta (15 July 2015), Quebec (7 May 2015), Manitoba (6 May 2015), Ontario (4 May 2015) and British Columbia (14 April 2015) in respect of the company failing to file its audited financial statements and annual management's discussion and analysis, annual information form and certification of annual filings for the year ended 31 December 2014. The foregoing cease trade orders remain in effect. On 2 June 2015, having failed to file a proposal, Ivanhoe Energy was assigned into bankruptcy. Ivanhoe Energy dissolved on 16 May 2017.

5.3 Executive management team

5.3.1 John MacKenzie

Director and Chief Executive Officer

Refer to Section 5.1.8 for John MacKenzie's biography.

5.3.2 Cashel Meagher

President and Chief Operating Officer

Cashel Meagher joined Capstone as President & COO in January 2022. Prior to Capstone he was Senior Vice President and COO of Hudbay Minerals, where he was responsible for international operations, business development, technical services, exploration and corporate social responsibility. He has deep knowledge of Latin American mining operations, having successfully led the construction and ramp up of Hudbay's Constancia mine. His professional background includes several management positions with Vale Inco's Canadian operations, where he gained experience in precious metals and base metals exploration, mineral reserve and resource estimation, engineering studies, and open pit and underground operations. Cashel holds a Joint Advanced Major in Geology and Chemistry from Saint Francis Xavier University and is a Professional Geoscientist registered with the Association of Professional Geoscientists of Ontario.

5.3.3 Raman Randhawa

Senior Vice President and Chief Financial Officer

Raman Randhawa is a Canadian Chartered Professional Accountant (CPA, CA) with 20 years of financial and leadership experience in the mining industry. Prior to joining Capstone in 2018, Raman spent 13 years at Goldcorp Inc., a Canadian based global gold producer. At Goldcorp, Raman held a series of senior management roles, including Vice President, Business Planning, Vice President, Business Performance & Reporting and Vice President, Finance, Operations. His background includes roles in Controllership, Treasury and Supply Chain in addition to leading Goldcorp's Canadian mines from a finance perspective. He has broad management and financial experience with exposure to capital markets and corporate development. He led the development of a Global Supply Chain department and management of multi-billion dollar capital budgets. Raman started his career at the international firm of Ernst & Young.

5.3.4 Peter Amelunxen

Senior Vice President, Technical Services

Peter Amelunxen is a Professional Engineer with 25 years of combined operational and senior management experience, providing corporate oversight and strategic direction to technical functions across various sites, exploration and development projects. Peter joined Capstone in April 2022 as Vice President, Technical Services and was promoted to Senior Vice President, Technical Services in August 2023. Prior to Capstone, Peter was Vice President, Technical Services at Hudbay Minerals. He has deep knowledge of Latin American mining operations, having previously served as a founding partner of Aminpro Chile, President of Aminpro Peru and senior technical consultant to most of the major South American mining companies. Peter has a Bachelor of Science Degree in Mining Engineering from the University of Arizona and a Master of Engineering Degree from McGill University.

5.3.5 Jerrold Annett

Senior Vice President, Strategy & Capital Markets

Jerrold Annett is responsible for leading the company's investor relations, marketing and sales activities. He joined Capstone in September 2019 and has over 25 years of global mining and capital markets experience, providing strategic direction and executive oversight for several junior exploration and development companies. His mining career started at Teck Resources and Falconbridge as a metallurgist and within their commercial metals sales groups, followed by 10 years in capital markets, most recently with Scotiabank where he was Head of Mining Institutional Sales. He is a Professional Engineer and has a Bachelor of Applied Science in Mining and Mineral Engineering from Queen's University in Canada.

5.3.6 Wendy King

Senior Vice President, Risk, ESG, General Counsel and Corporate Secretary

Wendy King is responsible for leading the company's legal function and Capstone's strategy for environmental, social and governance (**ESG**) and sustainability, as well as overseeing the enterprise-wide risk management and global insurance program. Wendy also serves as Corporate Secretary overseeing the corporate governance of Capstone. She has been practicing law for more than 25 years as in-house counsel and with a national firm as an international-tax specialist. She holds an LLB, a Masters in International Tax Law, a Masters of Business Administration, an ICD.D certification with the Institute of Corporate Directors and has completed the Advanced Management Program at Harvard University. Wendy joined Capstone following her role as Senior Vice President Government Relations, General Counsel, Chief Compliance Officer and Corporate Secretary at Central 1 Credit Union. Prior to this role, she served as Senior Legal Counsel with Weyerhaeuser Company.

5.3.7 Chris Richter

Senior Vice President, Corporate Development

Chris Richter is responsible for leading the company's corporate development and human resources activities. He was appointed Senior Vice President, Corporate Development in June 2022. Chris was previously the Chief Integration Officer for Capstone, and before that, Chief Development Officer of Mantos Copper, where he supported the execution of the merger with Capstone Mining. Chris has 18 years of financial and leadership experience in the mining and renewable energy industries, including as President and CEO of AuRico Metals. He has completed over US$22 billion in transactions leading and contributing to M&A efforts at AuRico Gold and Barrick Gold. Chris holds a Master of Arts

Degree in Economics from the University of Toronto and a Bachelor of Arts Degree in Economics and Political Science from the University of Waterloo. He is also a CFA Charterholder.

5.3.8 James Whittaker

Senior Vice President, Head of Chile

James Whittaker joined Capstone in August 2023 as Senior Vice President, Head of Chile. James is a Metallurgical Engineer with over 30 years of experience leading operations and project developments in North and South America. Prior to Capstone, he held various executive positions with BHP Chile, OceanaGold and Barrick Gold, including President of the Escondida Copper Mine, Executive General Manager at the Haile Gold Mine, and Executive General Manager at Barrick Gold. James holds an Executive MBA from Queen's School of Business and a Bachelor of Engineering Degree in Extractive Metallurgy from Dalhousie University.

5.4 Directors' interests and remuneration

5.4.1 Interests of Directors and Promoters

Other than as set out below or elsewhere in this Prospectus, no:

(a) Director;

(b) person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or

(c) promoter of Capstone,

holds at the Prospectus Date, or has held in the two years before the Prospectus Date, an interest in:

(d) the formation or promotion of Capstone;

(e) property acquired or proposed to be acquired by Capstone in connection with its formation or promotion, or in connection with the Offer; or

(f) the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of Capstone or the Offer or to any Director to induce them to become, or qualify as, a Director.

5.4.2 Directors' remuneration and other benefits

Directors' compensation for service on the Board is composed of:

(a) a cash retainer; and

(b) an equity retainer.

Directors who are also employees of Capstone do not receive any compensation for their service as a director of Capstone.

The HR&C Committee reviews Board compensation on a regular basis and recommends revisions to the annual retainers paid to the Board when warranted. In addition, the Board may award special remuneration to any Director undertaking any special services on Capstone's behalf other than services ordinarily required of a Director.

5.4.3 Cash retainer

Directors receive an annual cash retainer of C$65,000 and the Board Chair receives an annual cash retainer of C$125,000. The Lead Director and Board committee chairs receive an additional cash amount for their increased responsibilities. The following table summarises the 2022 additional cash retainers for the respective increased responsibilities (refer to Section 5.6.5 for information on the Capstone Board committees).

	Lead Director (C$)	Audit Committee (C$)	HR&C Committee (C$)	GNS Committee (C$)	TOP Committee (C$)
Additional Cash retainer	55,000	25,000	20,000	15,000	15,000

Annual cash retainer information for 2023 will be released in the ordinary course following the Prospectus Date. Investors should refer to Capstone's Website, the ASX market announcements platform (ASX:CSC) and Capstone's profile on SEDAR+ at www.sedarplus.ca for updates in due course.

5.4.4 Equity retainer

Directors' equity retainers are positioned to align total direct compensation within a competitive range of the market median. The below table summarises the equity retainers for the Board Chair and Board Members.

Level	2022 (C$)
Board Chair	200,000
Board Member	135,000

Capstone grants a combination of 75% DSUs and 25% stock options (see Section 8.4 for more information on stock and share unit plans) to align the interests of independent directors with those of shareholders. The equity mix is reviewed on an annual basis to ensure it aligns with market, shareholder interests and supports retention.

Annual equity retainer information for 2023 will be released in the ordinary course following the Prospectus Date. Investors should refer to Capstone's Website, the ASX market announcements platform (ASX:CSC) and Capstone's profile on SEDAR+ at www.sedarplus.ca for updates in due course.

5.4.5 Other agreements

In addition to the above, Capstone has entered into an employment agreement with Mr Darren Pylot.

On 27 November 2021, the Board agreed to amend the terms of the employment agreement with Mr Pylot, conditional on the completion of the plan of arrangement between Capstone Mining and Mantos Copper as described below. Mr Pylot's employment agreement was amended such that upon leaving Capstone:

- Mr Pylot shall receive a deferred payment of C$4.5 million, which is based on 30 months' salary and 2.5x his average short-term incentive payment;

- Mr Pylot shall receive continued benefits for 30 months;
- Mr Pylot's existing Options shall remain in full force and effect in accordance with the original terms thereof until the earlier of the normal expiry date or 36 months; and
- Mr Pylot's existing RSUs and PSUs shall remain in full force and continue to vest as per the original vesting schedule and PSUs will vest based on actual performance versus original goals.

Mr Pylot is also entitled to participate in Capstone's Option Plan. Refer to Section 8.5.3 for a summary of the Option Plan.

5.4.6 Rights of Access, Insurance and Indemnity for Directors

Capstone has obtained directors' and officers' liability insurance for the benefit of Capstone's Directors and intends to continue to maintain such coverage and pay all premiums thereunder to the fullest extent permitted by the BCBCA.

In addition, Capstone has entered into standard, Canadian indemnity agreements with each of the Directors (**Indemnified Director**). Pursuant to those agreements, Capstone has undertaken, to the fullest extent permitted by law, to indemnify the Indemnified Director in certain circumstances and to maintain directors' and officers' insurance cover in favour of the Indemnified Director during the period of their appointment and for 10 years after the Indemnified Director has ceased to be a Director. Capstone has further undertaken to make available to each Indemnified Director, and for 10 years after the Indemnified Director has ceased to be a Director, the documents and records of Capstone.

As of the date of this Prospectus, no claims for directors' liability insurance have been filed under this insurance policy and Capstone is not aware of any pending or threatened litigation or proceeding involving any of Capstone's Directors in which indemnification is sought.

5.4.7 Directors' interests in Shares and other securities

The Directors (and / or their related entities) have an interest in the following Securities:

Director	Shares	Options	DSUs	Treasury Share Units		Non-Treasury Share Units	
				PSUs	RSUs	PSUs	RSUs
Darren Pylot	3,551,656	391,442	44,425	584,559	164,075	Nil	Nil
Peter Meredith	183,618	50,122	327,914	Nil	Nil	Nil	Nil
Alison Baker	Nil	36,803	54,633	Nil	Nil	Nil	Nil
Robert J. Gallagher	10,248	122,516	536,723	Nil	Nil	Nil	Nil
Anne Giardini, KC	Nil	40,519	58,322	Nil	Nil	Nil	Nil
Patricia Palacios	Nil	17,307	25,834	Nil	Nil	Nil	Nil
Gordon Bell	20,000	9,651	13,966	Nil	Nil	Nil	Nil

Director	Shares	Options	DSUs	Treasury Share Units		Non-Treasury Share Units	
				PSUs	RSUs	PSUs	RSUs
John Mackenzie	15,049,040	523,815	Nil	350,075	175,353	Nil	Nil

Refer to Section 8.5 for the terms and conditions of the Options, DSUs, PSUs and RSUs.

5.5 Key Management Personnel's interests and remuneration

5.5.1 Key Management Personnel's remuneration, interest in Shares and other securities

As at the Prospectus Date, the Key Management Personnel (and/ or their related entities) have the following remuneration and an interest in the following Securities:

Executive	Remuneration in FY2022 (C$)	Shares	Options	Treasury Share Units		Share Units	
				PSUs	RSUs	PSUs	RSUs
John MacKenzie	875,000	15,049,040	523,815	519,720	259,861	Nil	Nil
Cashel Meagher	625,000	200,000	346,002	418,795	167,518	Nil	Nil
Raman Randhawa	482,500	600,212	274,026	340,344	132,481	Nil	Nil
Wendy King	417,500	369,560	591,353	284,516	108,156	Nil	Nil

Refer to Section 8.5 for the terms and conditions of the Options, DSUs, PSUs and RSUs.

Annual remuneration information for FY2023 will be released in the ordinary course following the Prospectus Date. Investors should refer to Capstone's Website, the ASX market announcements platform (ASX:CSC) and Capstone's profile on SEDAR+ at www.sedarplus.ca for updates in due course.

5.6 Corporate governance

5.6.1 Overview

The Board of Directors (the **Board**) has the responsibility for the overall stewardship of the conduct of the business of Capstone and the activities of management. Management is responsible for the day-to-day conduct of the business. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, and to ensure Capstone meets its obligations on an ongoing basis and that Capstone operates in a reliable and safe manner. In performing its functions, the Board should also consider the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in Capstone. In overseeing the conduct of the business, the Board, through the Chief Executive Officer (**CEO**), shall set the standards of conduct for Capstone.

In performing its function, the Board will act honestly and in good faith with a view to the best interest of Capstone.

Capstone has adopted appropriate systems of control and accountability as the basis for the administration of corporate governance, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Capstone's business and which are designed to promote the responsible management and conduct of Capstone**.**

Copies of Capstone's key policies and the terms of reference of the Board and each standing committee of the Board are published on Capstone's website, available at www.capstonecopper.com.

As a Foreign Exempt Listing, Capstone will not be required to disclose against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

5.6.2 Board

The mandate of the Board is to oversee the management of the business and affairs of Capstone. The mandate of the Board, which it discharges directly or through one of its four Board committees, is to oversee the management of the business and affairs of Capstone, and includes or without limitation, approving strategic goals and objectives, reviewing operations, disclosure and communication policies, overseeing the financial reporting and other internal controls, overseeing Capstone's ESG strategy, risks, performance and disclosures, overseeing Capstone's Enterprise Risk Management (ERM) system including Capstone's cyber security and global insurance programs, corporate governance, director orientation and education, executive compensation and succession planning oversight, and director nomination, compensation and assessment. The frequency of Board and committee meetings may be increased when Capstone is facing new opportunities or risks that require oversight by the Board. Management regularly informs the Board of the operations of Capstone through reports and discussions with Management during and between Board and committee meetings.

The Board is responsible for the corporate governance of Capstone. The Board develops strategies for Capstone, reviews strategic objectives and monitors performance against those objectives.

In general, the Board assumes (amongst others) the following responsibilities:

(a) Legal requirements – ensuring all legal requirements have been met and documents and records have been properly prepared, approved and maintained.

(b) Independence – ensuring that appropriate structures and procedures are in place to permit the Board to function independently of management, including endeavouring to have a majority of independent directors as well as an independent Chair or an independent Lead Director, as the term "independent" is defined in National Instrument 58-101 "Disclosure of Corporate Governance Practices".

(c) Strategy – ensuring that long term goals and a strategic planning process for Capstone is put in place and participate with management through its committees in approving the mission of the business of Capstone and the strategic plan by which Capstone proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of Capstone's business.

(d) Risk management and insurance – identifying and understanding the principal risks of the business (including ESG issues) in which Capstone is engaged , to achieve a proper balance between risks incurred and potential return to shareholders, and ensuring management has put in place systems which effectively identify, monitor and manage those risks with a view of long term viability of Capstone.

(e) Division of responsibilities – appointing directors to committees and delegating responsibilities to committees where appropriate to do so and ensuring that the directors of Capstone's subsidiaries are qualified and appropriate.

(f) Senior management – the appointment of the CEO, setting their remuneration, monitoring the performance of the CEO and other senior executives, ensuring that the framework for setting and monitoring remuneration and conditions of service for management is appropriate and ensuring that a process is in place for executive succession planning, and monitoring that process.

(g) Policies and procedures – ensuring Capstone has a corporate policy framework that enables Capstone to operate at all times within application laws, approving and monitoring compliance with significant policies and procedures and having in place a code of conduct and ensuring effective systems are in place such that all directors, officers and employees comply with the code.

(h) Reporting and communication – overseeing Capstone's financial and capital management, including:

(i) ensuring policies and programs in place to enable Capstone to communicate effectively with its shareholders, stakeholders and the public generally;

(ii) ensuring that the financial results are reported fairly and in accordance with international financial reporting standards (**IFRS**)

(iii) ensuring the timely reporting of developments that have a material impact on the value of Capstone;

(iv) reporting annually to shareholders on its stewardship of the affairs of Capstone for the preceding year;

(v) developing appropriate measures for receiving shareholder feedback; and

(vi) developing Capstone's approach to corporate governance and to develop a corporate governance guideline.

(i) Monitoring and acting – monitoring Capstone's progress towards its goals and objectives and taking action when performance falls short and ensuring Capstone has implemented adequate control and information systems which ensure the effective discharge of its responsibilities.

(j) Non-delegated responsibilities – declaring dividends, approving financial statements and certain disclosure documents.

5.6.3 Composition of the Board

The Board is currently comprised of the CEO and Chair, and six Non-executive Directors, of whom five are considered independent, as follows:

(a) Darren Pylot – Director and Chair;

(b) John MacKenzie – CEO and Executive Director;

(c) Peter Meredith – Lead Independent Non-executive Director;

(d) Alison Baker– Independent Non-executive Director;

(e) Robert J. Gallagher – Independent Non-executive Director;

(f) Anne Giardini, KC – Independent Non-executive Director;

(g) Gordon Bell – Independent Non-executive Director; and

(h) Patricia Palacios – Independent Non-executive Director.

Detailed biographies of the Board members are provided in Section 5.1.

5.6.4 Independence of the Board

Capstone assesses its Directors' independence on the basis of the definition of independence prescribed under National Instrument 58-101 Disclosure of Corporate Governance Practices of the CSA (**NI 58-101**). Under the definition of "independence" applicable to Capstone's Directors under NI 58-101, a director is independent if he or she has no direct or indirect material relationship with Capstone. A "material relationship" is defined with reference to section 1.4 of National Instrument 52-110 Audit Committees (**NI 52-110**) as one which could, in the view of the Board, reasonably be expected to interfere with his or her ability to exercise independent judgment. Furthermore, NI 52-110 stipulates that the following specified relationships are deemed to constitute a material relationship with Capstone:

(a) an individual who is, or has been, an employee or executive officer of Capstone, unless the prescribed period of three years has elapsed since the end of the service or employment;

(b) an individual whose immediate family member is, or has been, an executive officer of Capstone, unless the prescribed period of three years has elapsed since the end of the service or employment;

(c) an individual who is a partner of, or employed by, the internal or external auditor of Capstone, or an individual who was a partner of, or employed by, the internal or external auditor of Capstone and personally worked on Capstone's audit unless the prescribed period of three years has elapsed;

(d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual is a partner of a firm that is Capstone's internal or external auditor, is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or was within the last three years a partner or employee of that firm and personally worked on Capstone's audit within that time;

(e) an individual who is, or has been, or whose immediate family member is or has been, an executive officer of Capstone if any of Capstone's current executive officers serves or served on Capstone's Compensation Committee at the same time, unless the prescribed period of three years has elapsed since the end of the service or employment; and

(f) an individual who received, or whose immediate family member who is employed as an executive officer of Capstone received, more than C$75,000 in direct compensation from Capstone during any 12 month period within the last three years, other than as remuneration for acting in his or her capacity as a member of the Board or any Board committee, or the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with Capstone if the compensation is not contingent in any way on continued service.

The Board has determined that each of Peter Meredith, Alison Baker, Robert J. Gallagher, Anne Giardini and Patricia Palacios are independent Directors for the purposes of NI 58-101.

Capstone does not consider:

(g) John MacKenzie to be independent due to his role as Chief Executive Officer; or

(h) Darren Pylot to be independent due to his role as Chair and prior role as Chief Executive Officer of Capstone Mining.

5.6.5 Board Committees

(a) Audit Committee

The Audit Committee provides assistance to the Board in fulfilling its oversight responsibilities with respect to Capstone's:

(i) financial statements and MD&A and related earnings news releases;

(ii) financial reporting processes;

(iii) internal financial controls;

(iv) internal and external audit functions;

(v) oversight of financial related risks;

(vi) Whistleblower Policy and related procedures; and

(vii) compliance with regulatory and statutory requirements.

The Audit Committee consists of three independent members of the Board that are financially literate, meaning that each member can read and understand a set of financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by Capstone's consolidated financial statements, including two members who are designated as financial experts.

The current members of the Audit Committee are Alison Baker (Chair), Anne Giardini and Peter Meredith, all of whom are independent.

(b) Governance, Nominating & Sustainability Committee (**GNS Committee**)

The GNS Committee provides assistance to the Board in fulfilling its oversight responsibilities with respect to:

(i) developing and implementing principles and systems for the management of corporate governance;

(ii) establishing and leading the process for identifying and recruiting qualified individuals for Board and Board committee membership;

(iii) evaluating the Board, Board committee and individual director performance;

(iv) oversight for Code of Conduct;

(v) oversight of risks related to board structure, membership and corporate governance;

(vi) establishing the process for ongoing development for Directors; and

(vii) oversight and direction of Capstone's ESG strategy and provide oversight of ESG disclosures.

The current members of the GNS Committee are Anne Giardini (Chair), Robert Gallagher, Peter Meredith and Patricia Palacios all of whom are independent.

(c) Human Resources & Compensation Committee (**HR&C Committee**)

The HR&C Committee provides assistance to the Board in fulfilling its oversight responsibilities with respect to Capstone's:

(i) compensation policies and guidelines;

(ii) executive compensation and general compensation;

(iii) Management succession planning;

(iv) annual performance evaluations; and

(v) oversight of human resource and compensation related risks.

The HR&C Committee consists of three independent members of the Board that have previous industry experience in setting executive salaries and have served on compensation committees of other issuers of similar size.

The current members of the HR&C Committee are Peter Meredith (Chair), Alison Baker and Robert Gallagher, all of whom are independent.

(d) Technical & Operational Performance Committee (**TOP Committee**)

The TOP Committee provides assistance to the Board in fulfilling its oversight responsibilities with respect to:

(i) ensuring accurate and measurable data and performance for technical, environmental, health and safety initiatives;

(ii) environmental policies and activities;

(iii) health and safety policies and activities;

(iv) policies and activities related to engagement with communities, government and stakeholders;

(v) oversight for Capstone's Integrated EHS&S Policy;

(vi) oversight of risks related to safety, operations, environmental and social impacts;

(vii) management and reporting of mineral resources and reserves; and

(viii) policies and activities related to major capital projects and mine development.

The current members of the TOP Committee are Robert Gallagher (Chair), Patricia Palacios and Gordon Bell, all of whom are independent.

Set out below is a summary of the key corporate governance policies adopted by the Board.

Copies of the policies are available to view on, and are located in the corporate governance section of Capstone's Website.

5.6.6 Anti-Bribery Policy

Capstone has an Anti-Bribery Policy which provides guidance and procedures to ensure that Capstone, as well as the third parties who have an arrangement with Capstone and interact with government officials on Capstone's behalf, conduct themselves in an honest and ethical manner when dealing with government officials and all other parties, and in compliance with all applicable laws and regulations pertaining to bribery and corruption. The Anti-Bribery Policy, amongst other things, prohibits the provision of facilitation payments, gifts, entertainment and political and charitable contributions to government officials. The Anti-Bribery Policy also establishes guidelines for internal controls to facilitate compliance with the policy. Training or other awareness initiatives on the Anti-Bribery Policy is provided on an ongoing basis.

5.6.7 Advance Notice Policy

The purpose of the Advance Notice Policy is to provide shareholders, Directors and management of the Company with direction on the nomination of directors of Capstone. The Advance Notice Policy fixes a deadline by which holders of record of Shares of Capstone must submit director nominations to Capstone prior to any annual or special meeting of Shareholders and sets forth the information that must be included in the notice to Capstone for the notice to be in proper written form in order for any Director nominee to be eligible for election at any annual or special meeting of Shareholders.

5.6.8 Code of Conduct Policy

The Board views conduct of its businesses legally, ethically, responsibly and in accordance with Capstone's values as an integral component to the success of Capstone and part of its responsibilities to stakeholders.

The Board has instructed Management and employees to abide by the Code. Management reports significant breaches of the Code of Conduct to the GNS Committee on an annual basis, allowing the GNS Committee to monitor any trends. The Board also conducts an annual review of the performance of Capstone personnel under the Code of Conduct with a view to making any required changes in Capstone practice or policy to enhance compliance with the Code of Conduct. The Board keeps a record of any departures from the Code of Conduct and waivers requested and granted, and confirms that no material change reports have been filed by Capstone since the beginning of Capstone's most recently completed financial year pertaining to any conduct of a director or executive officer that constitutes a departure from the Code of Conduct. Employees and Directors are required to annually certify their understanding of and adherence to the Code of Conduct.

All Directors of Capstone have the obligation to perform their duties and assume their responsibilities in the best interests of Capstone. Capstone expects all of its Directors to comply with the laws and regulations governing their conduct and further is committed to promoting integrity and maintaining the highest standard of ethical conduct in all of its activities.

Directors and executive officers who have an interest in a transaction or agreement with Capstone are required to promptly disclose that interest at any meeting of the Board at which the transaction or agreement will be discussed, and abstain from discussions and voting in respect to same if the interest is material or if required to do so by corporate or securities law. As part of the Director Orientation and Education Process, new Directors are provided with education on Directors' duties including conflicts of interest and duty of confidentiality.

5.6.9 Cyber Security

Capstone has a Cyber Security Policy which establishes procedures and practices to mitigate internal and external cyber security threats, protect Capstone's information technology systems and infrastructure, data and reputation, and ensure that information technology related change management, business continuity and disaster recovery plans are developed to avoid changes or circumstances that could compromise Capstone's operations. The Cyber Security Policy also includes processes regulating how third parties are permitted access to Capstone's systems and guidelines in connection with the use of employees' personal devices. The Cyber Security Policy applies to all employees of Capstone and its subsidiaries as well as third parties who are users of Capstone's information technology resources. A global cross-functional cyber security team, with support from independent third-party service providers with cyber security expertise, is responsible for overseeing Capstone's cyber security strategy and response plan, and ongoing education and engagement. Capstone conducts monthly phishing tests and ongoing training at least once per annum.

5.6.10 Insider Trading Policy

Capstone has an Insider Trading Policy to ensure that any purchase or sale of securities occurs in accordance with applicable securities laws. The Insider Trading Policy applies to the Directors, officers, employees, contractors, and their respective family members, other persons living in their household, or partnerships, trusts, corporations or other similar entities under their control, of Capstone and its subsidiaries. The Insider Trading Policy prohibits trading of securities based on inside information, speculating, short-selling, purchasing or selling puts and calls, and tipping, and sets out trading restrictions and reporting requirements.

Training or other awareness initiatives on the Insider Trading Policy is provided on an ongoing basis.

5.6.11 Whistleblower Policy

Capstone has a Whistleblower Policy to assist employees, Directors, shareholders and contractors of Capstone to report actual or suspected fraud, ethical concerns violations of company policies, breaches of law, human rights violations and financial misconduct. The Whistleblower Policy outlines the process for reporting an ethical concern and the investigation based on the whistleblower report and confirms Capstone's commitment to employee protection. Concerns can be raised by individuals through the process on a confidential and anonymous basis. Training or other awareness initiatives on the Whistleblower Policy are provided on an ongoing basis, with testing conducted annually.

5.6.12 Disclosure and Confidentiality Policy

Capstone has a Disclosure and Confidentiality Policy which establishes procedures to permit the disclosure of information about Capstone and its subsidiaries to the public in a timely manner, and to ensure that undisclosed non-public information remains confidential. Training or other awareness initiatives on the Disclosure & Confidentiality Policy is provided on an ongoing basis.

5.6.13 Majority Voting Policy

Capstone has a majority voting policy for the election of directors. Any nominee in an uncontested election who receives a greater number of votes "withheld" than votes "for" shall be considered not to have received the support of shareholders. Such nominee is expected to tender his or her resignation to the Chair of the Board promptly following the applicable shareholders' meeting. The Board expects that resignations will be accepted unless extenuating circumstances warrant the refusal of the director's resignation. The Board will make its final decision and announce it in a news release within 90 days following the Meeting and provide a copy of the news release with the Board's decision to the TSX. A director who tenders his or her resignation pursuant to this policy will not participate in any meeting of the Board or the GNS Committee at which such resignation is considered.

Subject to any corporate law restrictions, where the Board accepts the offer of resignation of a director and that director resigns, the Board may exercise its discretion with respect to any resulting vacancy and may, without limitation, leave the resultant vacancy unfilled until the next annual meeting of shareholders, fill the vacancy through the appointment of a new director whom the Board considers to merit the confidence of the shareholders, or call a special meeting of shareholders to elect a new nominee to fill the vacant position.

5.6.14 Diversity and Inclusion Policy

The Board has a Diversity and Inclusion Policy (**Diversity Policy**) which recognises and embraces the benefits of having diversity on the Board and in Capstone's Management, including but not limited to gender diversity.

With respect to the Board, the objective of the Diversity Policy is to ensure that diversity is taken into account when reviewing Board composition and identifying suitable candidates for Board appointment or nomination for election to the Board, a merit-based competitive process is also maintained where the GNS Committee also considers the following:

(a) The competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;

(b) The competencies and skills that the Board considers each existing director to possess; and

(c) The competencies and skills each new nominee will bring to the boardroom.

When considering candidates, a short-list identifying potential candidates shall include at least one female candidate for each available board seat and if at the end of the selection process, no female candidates are selected, the Board must be satisfied that there are objective reasons to support this determination.

On an annual basis, the GNS Committee assesses the effectiveness of Capstone's performance in meeting the objectives outlined in the Diversity Policy by a review of Capstone's progress in increasing diversity amongst Management and on the Board.

5.6.15 Environment, Heath, Safety and Sustainability Policy

Capstone has an Environment, Heath, Safety and Sustainability Policy which recognises that Capstone shall safeguard the health and safety of people, minimise the impact of its activities on the natural environment and build respectful relationships with the local communities in which it operates.

5.6.16 Human Rights Policy

Capstone has a Human Rights Policy that sets the guiding principles and standards with respect to human rights and to articulate Capstone's expectations to its employees, directors and suppliers.

With respect to the Board, the objective is to ensure Capstone adheres to all applicable human rights laws and regulations, and strives to avoid to mitigate any adverse impact of Capstone's activities on Capstone's employees and external stakeholders.

5.6.17 Supplier Code of Conduct

Capstone has a Supplier Code of Conduct, pursuant to which Capstone's suppliers are required to, at a minimum, comply with the business ethics conditions to become and remain a supplier of Capstone. These conditions include compliance with laws and industry standards, adherence to Capstone's values and ethics, non-disclosure of confidential information, compliance with applicable anti-corruption laws, avoiding and disclosing conflicts of interest and not acting for or on behalf of a person that is subject to any economic or financial sanctions or trade embargos administered or enforced by the United Nations Security Council.

5.6.18 Tailings Management Policy

Capstone has a Tailings Management Policy that is designed to complement and expand on Capstone's Environmental, Health, Safety and Sustainability Policy. This policy forms the foundation of Capstone's tailings management efforts and present's Capstone's commitments to appropriate tailings management, aimed at identifying, monitoring and mitigating tailings-related risks at all of Capstone's mines and projects.

6 DETAILS OF THE OFFER

6.1 Description of the Offer

This Prospectus relates to the offering of 10 CDIs at an Offer Price of A$7.30 per CDI to raise A$73.00 (before associated costs), for the purpose of section 708A(11) of the Corporations Act (see Section 6.2.1)

Successful Applicants will receive CDIs in respect of Shares applied for. The issue of CDIs is necessary to allow ASX trading of securities of a company incorporated in Canada. CDIs give a holder similar, but not identical rights, to a holder of Shares. Refer to Sections 6.6 and 8.2 for further details.

The Offer is made on the terms set out in this Prospectus. The Offer will only be extended to specific people on invitation from the Directors. The Application Form will only be provided by the Company to those parties. Refer to Section 6.2.4 for details on how to apply for Shares under the Offer.

The Offer is unconditional and is not underwritten. No oversubscription will be accepted by the Company.

6.2 Purpose and effect of the Offer and use of funds

6.2.1 Purpose

The primary purpose of this Prospectus and the Offer is to ensure that "on sales" of any CDIs, transmuted from Shares issued by Capstone prior to the date of this Prospectus, have the benefit of the disclosure exemption in section 708A(11) of the Corporations Act.

Relevantly, section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

(a) the relevant securities are in a class of securities that are quoted securities of the body; and

(b) either:

   i. a prospectus is lodged with ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or

   ii. a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and

(c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

6.2.2 Effect of the Offer

The effect of the Offer on the capital structure of Capstone will be that Capstone will have an additional 10 Shares (and 10 CDIs) on issue. Refer to Section 3 (including Sections 3.3 to 3.10).

6.2.3 Use of proceeds

Capstone will use the proceeds of the Offer for general working capital purposes, including to partially cover the costs associated with the Offer. Refer to Section 8.15 for costs of the Offer and Section 3.3 for Pro Forma Financial Information which demonstrates the financial effect of the Offer.

6.2.4 How to apply

Only those persons invited by Capstone to participate in the Offer may apply for CDIs. These persons will be provided with a copy of the Prospectus together with an Application Form.

If you have received an invitation to apply for CDIs and wish to apply for those CDIs, you should refer to the invitation for information about how to submit your Application Form and for payment instructions.

Capstone reserves the right to issue to an Applicant a lesser number of CDIs than the number applied for, or to reject an Application. Any Application Monies received for more than your final allocation of CDIs will be refunded (without interest) in accordance with the requirements of the Corporations Act.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

An original completed and lodged Application Form (or a paper copy of the Application Form from the Electronic Prospectus), together with the Application Monies, constitutes a binding and irrevocable offer to subscribe for the number of CDIs specified in the Application Form. The Application Form does not have to be signed to be a valid Application. An Application will be deemed to have been accepted by Capstone upon allotment of the CDIs.

The Offer may be closed at an earlier date and time at the discretion of the Directors, without prior notice. Applicants are therefore encouraged to submit their Application Forms as early as possible. However, Capstone reserves the right to extend the Offer or accept late Applications.

Capstone also reserves the right not to proceed with the Offer at any time before the issue of CDIs to successful Applicants. If the Offer is cancelled or withdrawn before settlement, all Application Monies provided under the Offer will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.

6.3 Risk factors of an investment in Capstone

Prospective investors should be aware that there are risks associated with an investment in Capstone and should be considered speculative. Section 4 details the key risk factors which prospective investors should be aware of. It is recommended that prospective investors consider these risks carefully before deciding whether to invest in Capstone.

This Prospectus should be read in its entirety as it provides information for prospective investors to decide whether to invest in Capstone. If you have any questions about the desirability of, or procedure for, investing in Capstone please contact your stockbroker, accountant or other independent adviser.

6.4 Foreign Exempt Listing

Capstone has been admitted to the Official List of ASX as a Foreign Exempt Listing and all of its CDIs on ASX are quoted under the code “CSC”. Capstone’s Shares will also continue to be listed and posted for trading on the TSX.

As a Foreign Exempt Listing, Capstone will be exempt from complying with most of the ASX Listing Rules. However, Capstone will be required to:

(a) continue to comply with the TSX Rules and, by no later than the lodgement of its full year accounts with ASX each year, give ASX a statement that it continues to comply with those TSX Rules for release to the market;

(b) immediately provide to ASX all information it provides to the TSX that is, or is to be, made public;

(c) promptly inform ASX if it is granted a waiver of all or part of any TSX Rule and provide the terms of any such waiver for release to the market;

(d) immediately request a trading halt or suspension of its CDIs if trading in its Shares on TSX is halted or suspended;

(e) lodge with ASX on a monthly basis an Appendix 4A *Statement of CDIs on Issue*;

(f) comply with various ASX Listing Rules relating to transfers and registers of securities;

(g) lodge with ASX copies of notices it receives from substantial holders;

(h) comply with some ASX Listing Rules relating to certain procedural and administrative matters; and

(i) pay ASX’s prescribed fees.

Neither ASX nor any of its officers takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. The fact that Capstone has been admitted to the Official List is not to be taken as an indication of the merits of Capstone or the CDIs being offered.

6.5 Allotment

Application Monies will be held in trust for Applicants until the allotment of the CDIs. Any interest that accrues will be retained by Capstone.

Capstone reserves the right to reject any Application or to issue a lesser number of CDIs than those applied for. Where the number of CDIs issued is less than the number applied for, surplus Application Monies will be refunded (without interest) as soon as reasonably practicable after the Closing Date.

CDIs under the Offer are expected to be allotted on the Allotment Date. It is the responsibility of Applicants to determine their allocation prior to trading in the CDIs issued under the Offer. Applicants who sell CDIs before they receive their holding statements or allotment confirmation do so at their own risk.

6.6 CDIs and CHESS

Successful Applicants should note that, as Capstone is incorporated and registered in British Columbia, Canada, they will be issued with CDIs instead of Shares under this

Prospectus. This is because the requirements of Canadian laws that registered shareholders have the right to receive a stock certificate do not permit the CHESS system of holding uncertificated securities.

CDIs issued pursuant to this Prospectus will allow beneficial title to Shares to be held and transferred. CDIs are electronic depositary interests or receipts issued and are units of beneficial ownership in Shares registered on the Canadian register of Shareholders in the name of CHESS Depositary Nominees Pty Ltd (**CDN**). CDN is a wholly owned subsidiary of ASX. The main difference between holding CDIs and Shares is that the holder of CDIs has beneficial ownership of the underlying Shares instead of legal title. Legal title to the underlying Shares is held by CDN for the benefit of the CDI holder. The Shares underlying the CDIs issued pursuant to this Prospectus will be registered in the name of CDN for the benefit of CDI Holders. Each CDI represents one underlying Share.

CDN receives no fees from investors for acting as the depositary nominee in respect of CDIs.

CDI Holders have the same economic benefits of holding the underlying Shares. CDI Holders are able to transfer and settle transactions electronically on ASX.

With the exception of voting rights, the CDI Holders are generally entitled to equivalent rights and entitlements as if they were the legal owners of Shares. CDI Holders will receive notices of general meetings of Shareholders. As CDI Holders are not the legal owners of underlying Shares, CDN, which holds legal title to the Shares underlying the CDIs, is entitled to vote at shareholder meetings of Capstone on the instruction of the CDI Holders. CDI Holders are entitled to give instructions for one vote for every underlying Share held by CDN. Refer to Sections 8.2 and 8.3 for further information about CDIs.

Capstone participates in CHESS, which is the ASX electronic transfer and settlement system in Australia, in accordance with the ASX Listing Rules and ASX Operating Rules. Settlement of trading of quoted securities on the ASX market takes place on CHESS. CHESS allows for and requires the settlement of transactions in securities quoted on ASX to be effected electronically. Capstone operates electronic issuer-sponsored and CHESS sub-registers. The two sub-registers together will make up Capstone's register of CDI holders. Capstone will not issue certificates of title to CDI holders. Instead, as soon as is practicable after allotment, successful Applicants will receive a holding statement or allotment confirmation notice which sets out the number of CDIs issued to them, in much the same way as the holder of shares in an Australian incorporated ASX-listed entity would receive a holding statement in respect of shares. A holding statement will also provide details of a CDI holder's Holder Identification Number (in the case of a holding on the CHESS sub-register) or Securityholder Reference Number (in the case of a holding on the issuer sponsored sub- register).

Following distribution of the initial holding statements, an updated holding statement will only be provided at the end of any month during which changes occur to the number of CDIs held by CDI Holders. CDI Holders may also request statements at any other time (although Capstone may charge an administration fee).

6.7 Overseas Applicants

No action has been taken to register or qualify the Shares, or the Offer, or otherwise to permit the offering of CDIs, in any jurisdiction outside of Australia.

The distribution of this Prospectus in jurisdictions outside of Australia may be restricted by law and persons into whose possession this Prospectus comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws.

This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus. In particular, this Prospectus may not be distributed to any overseas person, and the CDIs may not be offered or sold in any country outside Australia, except to the extent permitted below.

It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to his or her Application. The return of a duly completed Application Form will be taken by Capstone to constitute a representation and warranty that there has been no breach of such law and that all necessary approvals and consents have been obtained.

This Prospectus does not constitute a prospectus under Canadian securities laws and the securities issued and distributed under this Prospectus may not be sold or distributed to residents of Canada. This Prospectus is not, and under no circumstances is to be construed as, an advertisement or an offering of the securities referred to in this Prospectus in Canada. No securities commission, stock exchange or similar authority in Canada has reviewed or in any way passed upon this Prospectus or the merits of the securities described. The CDIs are being issued on a private placement basis under Canadian securities laws pursuant to the exemption to the prospectus requirements of Canadian securities laws contained in BC Instrument 72-503 on the basis of representations made, or deemed to be made, by the Subscriber hereunder, including that the Subscriber is not a resident of Canada. No prospectus has been filed by Capstone with any securities commission or similar regulatory authority in any jurisdiction of Canada in relation to this Prospectus.

6.8 Restricted securities

None of the CDIs issued pursuant to the Offer (or any of the existing Shares on issue) will be or are subject to any ASX imposed escrow restrictions.

6.9 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offer, by consulting their own professional tax advisers.

Neither Capstone nor any of its Directors or officers accepts any liability or responsibility in respect of the taxation consequences of the Offer.

6.10 Enquiries

This Prospectus provides information for potential investors in Capstone and should be read in its entirety. If, after reading this Prospectus, you have any questions about any aspect of an investment in Capstone, please contact your stockbroker, accountant, independent financial adviser, or other professional adviser. Enquiries relating to this Prospectus should be directed to Capstone at legal@capstonecopper.com.

7 MATERIAL CONTRACTS

Capstone considers that there are a number of contracts which are material to Capstone or of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for CDIs. The material terms of these contracts are summarised below. These summaries do not purport to be complete and are qualified by the text of the contracts themselves.

7.1 Mantoverde Shareholders' Agreement

In connection with Capstone's 70% ownership of the Mantoverde Mine, Capstone, through its wholly owned subsidiaries Mantos Copper Holding SpA, entered into a Shareholders' Agreement dated 8 February 2021 with Mitsubishi Materials and Mantoverde S.A. (the **MV Shareholders Agreement**). The MV Shareholders Agreement governs, among other things, (i) the conduct of the business and affairs of Mantoverde S.A. with respect to the ownership and operations of the Mantoverde Mine, (ii) certain corporate matters of Mantoverde S.A. that require Mitsubishi Materials approval and board nomination rights in favour of Mitsubishi Materials, (iii) restrictions on transfer of Mantoverde S.A. shares, (iv) the sale of the Mantoverde Mine and (v) certain participation rights granted to Mitsubishi Materials in takeover offers, specified financings or merger transactions of Capstone.

7.2 Royalty agreements

7.2.1 Southern Cross Royalty

In connection with the financing of the Mantos Blancos Concentrator Debottlenecking Project (**MBCDP**), Mantos Copper S.A. entered into an agreement (the **Southern Cross Royalty Agreement**) with Southern Cross Royalties Limited (**Southern Cross**) on 31 August 2019. Under the Southern Cross Royalty Agreement, Southern Cross paid Mantos Copper S.A. approximately US$50.3 million for a 1.525% royalty on the net smelter return of copper production at the Mantos Blancos Mine paid quarterly. The royalty is for a period initially through 1 January 2035 that may be extended by Southern Cross at its sole discretion through the duration of the mining rights, and is subject to Capstone's option to buy back and reduce the royalty amount by 50% at any time after 1 January 2023, subject to the payment of a buy back fee and the satisfaction of certain conditions. The Southern Cross Royalty Agreement grants Southern Cross security interests over related mining concessions and includes certain covenants with respect to the conduct of mining operations, the preservation of mining rights and maintenance of offtake arrangements, among other terms.

7.3 Osisko Silver Stream Agreement

In connection with the financing of the MBCDP, Mantos Copper S.A. entered into an upsized contract (**Silver Stream Agreement**) with Osisko on 31 August 2019. Under the Silver Production Agreement, Osisko paid Mantos Copper S.A. an additional US$25 million. In return of the upfront payments, Osisko received the right to purchase an amount of refined silver equivalent to the number of ounces of silver delivered under concentrate offtake contracts less specified deductions until 19,300,000 ounces of silver have been sold under the agreement and thereafter an amount equal to 40% of the number of ounces of silver delivered under concentrate offtakes less specified deductions. Osisko is obliged to pay in cash 8% of the market price of the silver upon each delivery and to give credit against the advance of 92% of the market price upon each delivery, according to certain terms in the contract. The initial term of the Osisko Silver Stream Agreement is 40 years and shall automatically renew thereafter for successive 10-year periods. The amount of silver estimated to have been derived from the copper concentrate is the amount calculated as due under the terms of the contract.

7.4 Offtake agreements

7.4.1 Anglo American Offtake Agreements

Mantoverde and Mantos Blancos have entered into offtake agreements relating to cathode production with Anglo American Marketing Limited (**AAML**), both of which were amended and restated on 31 August 2019.

Under the agreements, the Mantos Blancos Mine and the Mantoverde Mine are required to sell, and AAML is required to buy, all of Capstone's production of copper cathodes, until the aggregate sum of cathodes delivered from the Mantoverde Mine and the Mantos Blancos Mine reach 275 thousand tonnes, which Capstone expects to occur by 31 December 2025. If these amounts are not delivered by 31 December 2025, the agreement can be extended through 31 December 2027 subject to a 20% increase in the amount of cathodes required to be delivered. The price for cathodes is determined based on the monthly average LME copper price.

7.4.2 Glencore Offtake Agreement

As part of the financing for the MBCDP, Mantos Copper S.A. entered into an offtake agreement with the Glencore Buyers on 31 August 2019 for 75% of Mantos Blancos' annual production of copper concentrates subject to a minimum total quantity of 900 thousand tonnes of copper concentrates over the term of the agreement (the **Glencore Offtake Agreement**). The Glencore Offtake Agreement is for a 7-year term but may be extended until the minimum total quantity is delivered and the financial obligations are met.

Under the Glencore Offtake Agreement, the Glencore Buyers are required to pay for a portion of the full copper content based on the average monthly LME copper price, subject to certain adjustments based on the percentage of copper content. The Glencore Buyers are also required to pay in relation to silver content greater than or equal to 30 grams/ton at a price based on the average monthly official London Bullion Market Association silver price.

7.5 Credit Facilities

7.5.1 Mantoverde Common Terms Agreement and Ancillary Facilities

In order to fund the construction of MVDP, the Company secured a senior secured amortising project debt facility in an aggregate amount of US$520 million (**MVDP Facility**, comprising the **Covered Facility** US$250 million, the **Uncovered Facility** US$210 million, and the **ECA Direct Facility** US$60 million). These project finance facilities are subject to affirmative, financial and restrictive covenants that include obligations to maintain the security interests in favour of the lenders over substantially all of the Mantoverde Mine assets, insurance coverage, maintenance of off-take agreements, environmental and social compliance, restrictions on new financial indebtedness, distributions and dispositions, and compliance with certain financial ratios. As at 31 December 2023, the Company was in compliance with these covenants.

At 31 December 2023, US$520 million was drawn on the MVDP Facility with US$6.6 million recognised as an adjustment to record the debt at its fair value as required as part of the accounting for the business combination with Mantos (31 December 2022 - US$520 million and US$7.5 million). This fair value adjustment amortises down to its historical cost over the duration of the MVDP Facility.

Interest on borrowings under the MVDP Facility is payable quarterly. As a result of Interest Rate Benchmark Reform, the Company has completed the transition from LIBOR to an adjusted SOFR for its MVDP debt financing facility. The transition resulted in a variable rate of SOFR compounded daily to a 3-month period plus 0.2616% per annum, with margins unchanged (i.e., 1.65% for the Covered Facility and, with respect to the Uncovered Facility, a rate of 3.75% and with respect to the ECA Direct Facility, a rate of 4.00% pre-completion of the MVDP, and decreasing to 3.50% and 3.75% respectively post-completion of the MVDP). Pursuant to the Covered Facility, an export credit agency guaranteed premium of 2.05% per annum is also payable quarterly and calculated over amounts outstanding under the Covered Facility. The MVDP Facility is secured by a comprehensive security package covering substantially all of the Mantoverde Mine assets. The MVDP Facility amortises from the earlier of 30 September 2024 and 180 days after project completion until December 2030 for the Uncovered Facility and December 2032 for the Covered Facility and ECA Direct Facility.

To mitigate the risk of movements in interest rates, and in compliance with a covenant in the MVDP Facility, a subsidiary of the Company entered into a fixed-for-floating SOFR swap at 1.015% with floating rate of daily SOFR, compounded to a quarterly rate, plus 0.2616% adjustment. The fixed-for-floating swap notional represents the notional amount as of the reporting period. The derivative instruments are a series of quarterly contracts, with notional amounts in line with planned quarterly balances based on expected project finance debt drawdown and expected amortisation. The MVDP Facility is secured by a comprehensive security package covering substantially all of the Mantoverde Mine's assets and are subject to certain mandatory prepayment events and excess cash sweep obligations upon the occurrence of certain events, including a change of control.

In connection with the MVDP Facility, Mantoverde is required to maintain a comprehensive hedging program with respect to its projected copper cathode production and has entered into hedging arrangements with the lenders under the MVDP Facility that are governed by International Swaps and Derivatives Association master agreements, under English law. Approximately two-thirds of Capstone's copper cathodes production is hedged at a weighted average price of US$3.36 per pound through Q2 2024. Mantoverde is also required to hedge 100% of its Ch$/US$ foreign exchange exposure under the engineering, procurement and construction contract for the MVDP and other related capital expenditures, as well as mandatory hedges with respect to the floating interest rate portion of the MVDP Facility.

Under the MVDP Facility, Mantoverde S.A. is required to comply with certain financial covenants following the project completion date (targeted not beyond 30 June 2024), including the maintenance of (i) a historic debt service cover ratio of no less than 1.20:1.00 (subject to an equity cure right that may be exercised up to 3 non-consecutive times); (ii) a loan life cover ratio of no less than 1.30:1.00; and (iii) a ratio of then-current forecasted sulphide mining reserves to total sulphide mining reserves (the reserve tail ratio) of no less than 30%. The MV Project Finance Facilities also includes restrictive covenants related to the incurrence of debt, granting of security interests and the payment of dividends, as well as covenants with respect to environmental compliance, maintenance of offtake arrangements and preservation of assets, among other terms.

7.5.2 Revolving Credit Facility

Capstone has established a revolving credit facility (the **RCF**) pursuant to the Third Amended and Restated Credit Agreement between Capstone Mining, Canadian Imperial Bank of Commerce, The Bank of Nova Scotia, Wells Fargo Bank N.A., Canadian Branch, Citibank, N.A., Canadian Branch, Bank of Montreal, National Bank of Canada, and ING Capital LLC was amended on 19 April 2017, 25 July 2019, 19 February 2021 and 24 March 2021 (as amended, the **Credit Agreement**).

In April 2020, Capstone entered into an interest rate swap exchanging the floating LIBOR rate for a fixed monthly LIBOR rate of 0.355% on an amortising notional principal balance as follows:

(a) US$150 million to 31 December 2020;

(b) US$125 million to 31 December 2021;

(c) US$100 million to 25 July 2022.

Any balance drawn on the RCF above the notional principal of the swap will be charged interest at the prevailing market rate. Effectively the interest rate on these notional amounts is 0.355% plus 2.5% to 0.355% plus 3.5% based on the total leverage ratio.

The RCF is secured against the present and future real and personal property, assets and undertakings of Capstone (excluding certain assets, which include 0908113 B.C. Ltd., Far West Mining Ltd. (Far West), Santo Domingo, and Far West Exploration S.A., and subject to certain exclusions for Capstone Mining Chile SpA). The Credit Agreement requires the Company to maintain certain financial ratios relating to debt and interest coverage. Capstone was in compliance with these covenants as at December 31, 2020.

Upon closing of the streaming agreement with Wheaton Precious Metals Corp. (**Wheaton**) on 19 February 2021, the US$150 million received was used to repay the RCF and the credit limit on the RCF has been reduced from US$300 million to US$225 million. In addition, all the remaining interest rate swap derivatives were early settled in February 2021.

On 24 March 2021, the Credit Agreement was amended to permit the guarantee provided by Capstone in support of the precious metals purchase agreement for the production of gold from the Santo Domingo Project between Capstone Mining and Wheaton dated 25 March 2021.

During the three months ended 31 March 2021, the Company fully repaid its RCF balance of US$184.9 million on 31 December 2020. As of 31 December 2021, the outstanding balance of the RCF is US$nil.

On 12 May 2022, Capstone Mining entered into a fourth amended and restated credit agreement (the **Restated Credit Agreement**), which restated the Credit Agreement and is effective as of 22 July 2022. The material terms of the Restated Credit Agreement, as compared to the existing Credit Agreement, include, among others:

- adding Capstone as an additional borrower;
- increasing the facility size from US$225 million to US$500 million (an additional US$100 million may be available under an accordion facility);
- extending the maturity date from 29 July 2022 to 12 May 2026;
- revising the definition of "Excluded Entities" to provide that Mantoverde S.A. and the Mantoverde project are excluded from the Restated Credit Agreement;
- revising the senior secured leverage ratio to only apply after the Capstone entities have incurred unsecured debt or subordinated debt in excess of $300 million;
- removing a minimum liquidity requirement in connection with permitted acquisitions;
- permitting distributions at all times, subject to pro forma financial covenant compliance, and there being no default or event of default; and
- increasing various event of default thresholds to US$50 million.

On 22 September 2023, Capstone amended the RCF to increase the aggregate commitments from US$600 million to US$700 million and extended the maturity from May 2026 to September 2027. The RCF bears interest on a sliding scale of adjusted term SOFR plus a margin of 2.000% to 2.875%.

The interest rate at 31 December 2023 was one-month adjusted term SOFR of 5.46% plus 2.125% (2022 – US LIBOR plus 1.88%) with a standby fee of 0.48% (2022 – 0.42%) payable on the undrawn balance (adjustable in certain circumstances).

The RCF requires Capstone to maintain certain financial ratios relating to debt and interest coverage. Capstone was in compliance with these covenants as at 31 December 2023. As at 31 December 2023, the balance of the RCF was US$474.0 million (31 December 2022 - US$75.0 million), excluding deferred financing fees of US$1.9 million (31 December 2022 - US$3.4 million).

7.6 Precious Metals

7.6.1 Precious Metals Purchase Agreement (Silver)

On 11 December 2020, Capstone Mining entered a Precious Metals Purchase Agreement between Wheaton, Capstone Resources (Barbados) Ltd. And Capstone Mining with respect to the purchase and sale of silver. Wheaton paid upfront cash consideration of US$150 million upon closing for 50% of the silver production until 10 million ounces have been delivered, thereafter dropping to 33% of silver production for the life of the mine from Capstone's Cozamin Mine in Mexico. Wheaton will make ongoing payments equal to 10% of the spot silver price at the time of delivery for each ounce delivered to them.

7.6.2 Precious Metals Purchase Agreement (Gold)

On 25 March 2021, Capstone Mining entered a Precious Metals Purchase Agreement between Wheaton, Capstone Resources MSD Ltd. And Capstone Mining with respect to the purchase and sale of gold. Wheaton paid upfront cash consideration of US$30 million and additional deposits totalling US$260 million for total consideration of US$290 million. Wheaton will receive 100% of the gold production until 285,000 ounces have been delivered, thereafter dropping to 67% of the gold production. Wheaton will make ongoing payments equal to 18% of the spot gold price, until the deposit of US$290 million has been reduced to zero, thereafter increasing to 22% of the spot gold price upon delivery.

7.7 Registration and Board Nomination Rights Agreement

On 23 March 2022, Capstone, entered a Registration and Board Nomination Rights Agreement (the **Registration and Nomination Rights Agreement**) between Capstone, and Orion Fund JV Limited, Orion Fund Mine Finance Fund II LP and Orion Mine (Master) Fund I-A LP (collectively, Orion) pursuant to which Orion is conferred certain nomination and registration rights. Pursuant to the terms of the Registration and Nomination Rights Agreement, Orion has the right to appoint up to two Board of Directors nominees for so long as it holds greater than 20% of the issued and outstanding common shares, or should Orion's shareholdings in Capstone decrease below 20%, but remain above 10%, up to one Board of Directors nominee (each, an **Orion Nominee**). Until the day immediately following Capstone's 2023 annual general meeting, provided Capstone has put up an Orion Nominee for election to the board of Capstone at every meeting of Capstone shareholders at which the election of directors is considered, Orion must: (i) refrain from voting its common shares against the election of management's proposed nominees for election to the board at every such meeting; (ii) not effect, conduct or participate in any solicitation of proxies against management's proposed nominees; and (iii) refrain from voting against the Capstone board's recommendation with respect to other matters brought to a vote of shareholders of Capstone, other than in respect to matters relating to any merger, arrangement, amalgamation, acquisition, business combination or share issuances in connection with the foregoing, involving Capstone or any of its subsidiaries.

Provided that Orion, together with its affiliates, holds greater than 20% of the issued and outstanding common shares, Orion may: (i) demand Capstone to file one or more prospectuses and take such other steps to facilitate a secondary offering in Canada of all or any portion of Orion's shares, by giving written notice of such demand registration to Capstone, subject to limitations; or (ii) request to exercise piggyback registration rights to be included in any public or secondary offering with respect to all or any portion of Orion's shares in Capstone, subject to limitations.

In addition, the Registration and Nomination Rights Agreement contains certain restrictions on Orion transferring shares. Until the six-month anniversary of the Registration and Nomination Rights Agreement, Orion shall not sell or transfer shares of Capstone. During the period commencing on the first day following the six-month anniversary date of the Registration and Nomination Rights Agreement and ending on the twelve month anniversary date of the Registration and Nomination Rights Agreement, Orion shall not sell or transfer greater than aggregate of 20,000,000 shares of Capstone. The limitations and restrictions on transfers of common shares by Orion shall cease to apply upon the earlier of (i) Orion ceases to hold at least 20% of the issued and outstanding shares of Capstone and (ii) the twelve month anniversary of the Registration and Nomination Rights Agreement. Until the twelve month anniversary of the Registration and Nomination Rights Agreement, Orion is subject to customary standstill provisions, including that Orion shall not: (a) engage in any short sales of common shares, (b) acquire shares or assets of Capstone or participate in an acquisition of Capstone, (c) solicit or join in any way directly or indirectly to participate in a solicitation of proxies from Capstone's shareholders or otherwise attempt to influence the conduct of Capstone's shareholders, (d) initiate, tender to, vote its common shares in favour of or otherwise support an acquisition transaction for control of Capstone that is not recommended by the Capstone Board of Directors, or) authorise any of or commit to do any of the foregoing.

The Registration and Nomination Rights Agreement will terminate if Orion's shareholdings fall below 10% of the issued and outstanding shares of Capstone.

7.8 Operating contracts

7.8.1 Water Supply Agreement

On 1 December 2014, Mantos Copper S.A. entered into a water supply contract with Aguas De Antofaga S.A. (ADASA), as amended on 28 March 2017 and 28 December 2018, (the Water Supply Agreement). Under the Water Supply Agreement, ADASA has agreed to supply raw water for industrial use to, exclusively, meet the needs of the Mantos Blancos Mine. The term of the Water Supply Agreement ends on 31 December 2033.

8 ADDITIONAL INFORMATION

8.1 Rights attaching to Shares

The rights and restrictions attaching to the Shares are governed by Capstone's Articles (**Articles**) and the BCBCA. A summary of the key rights and liabilities attaching to the Shares as set forth in the Articles are set forth below. This summary is qualified by the full terms of the Articles (a full copy of the Articles is available from Capstone on request free of charge and is also available on Capstone's Website at https://capstonecopper.com/about-us/governance/, the BCBCA, applicable Canadian and US Securities laws and, once Capstone is admitted to the Official List of ASX, certain limited ASX Listing Rules (refer to Section 6.4 for a summary of the ASX Listing Rules applicable to Capstone) and the ASX Settlement Rules. The below is a summary and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders.

These rights and liabilities can involve complex questions of law arising from an interaction of the Articles with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to the Shares in any specific circumstances, the Shareholder should seek legal advice.

8.1.1 Recognition of trusts

Except as required by law or the Articles, no person will be recognised by Capstone as holding any Share upon any trust, and Capstone is not bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Share or fraction of a Share or any other rights in respect of any Share except an absolute right to the entirety thereof in the Shareholder.

8.1.2 Issue of Shares

Capstone may issue, allot, sell or otherwise dispose of unissued Shares, and issued Shares held by Capstone, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue price that the Directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share. The Shares are without par value.

Capstone may, at any time, pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase Shares of Capstone from Capstone or any other person or procuring or agreeing to procure purchasers for Shares of Capstone.

No Share may be issued until it is fully paid.

8.1.3 Share transfers

A transfer of Shares may only be made in accordance with the Articles and applicable Canadian securities law and the requirements imposed by Capstone's transfer agent.

8.1.4 Borrowing powers

Capstone may, if authorised by Directors, borrow money, issue bonds, debentures and other debt obligations, guarantee the repayment of money, mortgage, charge or grant a security interest in all or part of the assets of Capstone.

8.1.5 Meetings – general

Pursuant to the Articles, an annual general meeting of Shareholders is required to be held by Capstone once in every calendar year and not more than 15 months after the last annual general meeting of Shareholders.

Capstone is required to give Shareholders at least 21 days' and not more than 2 months' notice of a meeting of Shareholders. Each Shareholder is entitled to receive notice of, attend and vote at any meeting of Shareholders and to receive all notices required to be sent to Shareholders under applicable law.

A general meeting of Capstone may be held anywhere in the world, or virtually, as determined by the directors. Meetings are generally held in Vancouver, Canada.

8.1.6 Meetings – voting

Unless the BCBCA or Articles require a special resolution, any action that must or may be taken or authorised by the shareholders of Capstone may be taken or authorised by an ordinary resolution. Ordinary resolutions of Capstone are passed by a simple majority of votes cast on the resolution. The majority of votes required for Capstone shareholders to approve a special resolution at a meeting of Shareholders is two-thirds of the votes cast on the resolution.

The quorum for the transaction of business at a meeting of Shareholders is two persons who are, or represent by proxy, Shareholders which hold, in the aggregate, at least 5% of the issued Shares entitled to be voted at the meeting.

Subject to the special rights or restrictions attached to Shares, the quorum for the transaction of business at a meeting of Shareholders is two individuals present at the commencement of the meeting holding, or representing by proxy, the holder or holder of Shares carrying at least 25% of the votes eligible to be cast at the meeting.

Every motion put to a vote at a meeting of Shareholders will be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chair or demanded by at least one Shareholder entitled to vote who is present in person or by proxy.

Subject to any special rights or restrictions attached to any Shares and to the restrictions imposed on joint Shareholders on a vote by show of hands, every person present who is a Shareholder or proxy holder and entitled to vote on the matter has one vote, and on a poll, every Shareholder entitled to vote on the matter has one vote in respect of each Share entitled to be voted on the matter and held by that Shareholder and may exercise that vote either in person or by proxy.

As detailed in Section 8.2, holders of CDIs can attend but cannot vote in person at a general meeting, and must instead direct CDN how to vote in advance of the meeting. Any notice of meeting issued to CDI Holders will include a form permitting the holder to direct CDN to cast proxy votes in accordance with the holder's written instructions.

8.1.7 Directors – appointment, rotation and removal

(a) **Nomination**

Under the Articles, nominations of persons for election to the Board may be made at any annual general meeting or at any special meeting of Shareholders (if one of the purposes for which the special meeting was called was the election of directors). In order to be eligible for election persons must be nominated in accordance with one of the following procedures: (A) by or at the direction of the Board, (B) by or at the direction or request of one or more Shareholders pursuant to a proposal made in accordance with the provisions of the BCBCA or a requisition of the Shareholders made in accordance with the provisions of the BCBCA, or (C) by any person who provides the requisite notice to Capstone pursuant to the Articles, in accordance with the Governance, Nominating and Sustainability Committee Terms of Reference.

Nominations for election to the Board must be made to the company secretary:

- in the case of an annual general meeting, not less than 30 nor more than 65 days prior to the date of the meeting of Shareholders; provided, however, that in the event that the meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the meeting is made (**Notice Date**), notice is made not later than the close of business on the 10th day following the Notice Date; and

- in the case of a special meeting called for the purpose of electing directors (whether or not called for other purposes), such notice is made not later than the close of business on the 15th day following the Notice Date.

(b) **Election, rotation & removal**

Each of the Directors shall be elected at each annual general meeting of Shareholders and shall serve in office until the close of the next annual general meeting, unless they vacate their office earlier. Each Director retiring at an annual general meeting of Shareholders is eligible to be re- elected at that meeting.

Additional Directors may be elected at general meetings by an ordinary resolution passed by the Shareholders. The Board may also fill a casual vacancy by the remaining directors. Directors so elected or appointed must retire at the next annual general meeting, at which they may seek re-election.

Capstone may remove any Director before the expiration of his or her term of office by special resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy.

The Board shall also be entitled to remove from office any Director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the Board may appoint a director to fill the resulting vacancy.

8.1.8 Directors – remuneration

Under the Articles, the Directors may fix the remuneration of the directors, officers and employees of Capstone. Additional remuneration may be paid above this fixed amount to directors providing professional or other services to Capstone outside the ordinary duties of a director. Under applicable Canadian securities law, a report on executive and director compensation is required to be included in Capstone's Management Information Circular distributed to Shareholders in connection with its annual meeting of Shareholders each year.

8.1.9 Directors – indemnification

Subject to the BCBCA, Capstone must indemnify a director, former director, alternate director of Capstone and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and Capstone must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each director and alternate director is deemed to have contracted with Capstone on these terms.

8.1.10 Dividends

Pursuant to the Articles and subject to applicable law, the Board may from time to time declare and authorise payment of such dividends on the Shares as they may deem advisable, and the Board may determine the time for payment of such dividends and the record date for determining the Shareholders entitled thereto.

8.1.11 Amendment to Articles

If the BCBCA does not specify the type of resolution and the Articles do not specify another type of resolution, Capstone may by special resolution of shareholders alter the Articles (refer to Sections 8.6.3(f) and 8.6.6 for examples of the approval requirements for altering Capstone's Articles).

8.2 Rights of CDI Holders

8.2.1 Nature of CDIs

The Shares the subject of the Offer will trade on ASX in the form of CDIs.

A CDI is a unit of beneficial ownership in a share (or beneficial interest in a share) or option of a foreign company, where the underlying share, interest or option is registered in the name of a depositary nominee (in this case CDN), for the purpose of enabling the foreign share, interest or option to be traded on ASX.

For further information see Section 6.6.

8.2.2 Specific features of CDIs

The main difference between holding CDIs and Shares is that the holder of CDIs has beneficial ownership of the underlying Shares instead of legal title. Legal title to the underlying Shares is held by CDN on the Canadian register of Shareholders for the benefit of the CDI Holder.

Each CDI will represent one underlying Share.

CDI Holders have the same economic benefits of holding the underlying Shares. CDI Holders are able to transfer and settle transactions electronically on ASX.

With the exception of voting rights, the CDI Holders are entitled to equivalent rights and entitlements as if they were the legal owners of Shares. CDI Holders will receive notices of general meetings of Shareholders.

For further information see Section 6.6.

8.2.3 Identity and role of CDN

The Shares underlying the CDIs issued pursuant to this Prospectus will be registered on the Canadian register of Shareholders in the name of CDN, a wholly owned subsidiary of ASX. Legal title to the underlying Shares is held by CDN for the benefit of the CDI Holder.

CDN receives no fees from investors for acting as the depositary nominee in respect of CDIs.

8.2.4 How to convert CDIs into Shares

For information on how to convert CDIs to Shares, refer to Section 8.3.

8.2.5 Voting rights

CDI Holders cannot vote personally at Shareholder meetings. The CDI Holder must convert their CDIs into certificated Shares prior to the relevant meeting in order to vote in person at the meeting.

As CDI Holders are not the legal owners of underlying Shares, CDN, which holds legal title to the Shares underlying the CDIs, is entitled to vote at Shareholder meetings of Capstone on the instruction of the CDI Holders.

The ASX Settlement Rules require Capstone to give notices to CDI Holders of general meetings of Shareholders. The notice of meeting must include a form permitting the CDI Holder to direct CDN how to vote on a particular resolution, in accordance with 'he CDI Holder's written directions. CDN is then obliged under the ASX Settlement Rules to lodge proxy votes in accordance with the directions of CDI Holders.

CDI Holders are entitled to give instructions for one vote for every underlying Share held by CDN. For further information see Section 6.6.

8.2.6 Dividends or other distributions

The ASX Settlement Rules require that all economic benefits, such as dividends, bonus issues, or other distributions flow through to CDI Holders as if they were the legal owners of the underlying securities.

As each CDI will represent one underlying Share, in the event Capstone pays a dividend or undertakes a distribution, CDI holders will receive the same benefit as if they were holding Shares.

8.2.7 Corporate actions

The ASX Settlement Rules require that all economic benefits, such as dividends, bonus issues, rights issues or similar corporate actions flow through to CDI Holders as if they were the legal owners of the underlying securities.

However, in some cases, marginal difference may exist between the resulting entitlements of CDI Holders and the entitlements they would have accrued if they held Shares directly. This is because, for the purposes of certain corporate actions, CDN's holding of Shares is, for Canadian legal reasons, treated as a single holding, rather than as a number of smaller separate holdings corresponding to the individual interests of CDI Holders (thus, for example, CDI Holders will not benefit to the same extent from the rounding up of fractional entitlements as if they held Shares directly).

8.2.8 Takeovers

If a takeover bid or similar transaction is made in relation to the Shares of which CDN is the registered holder, the ASX Settlement Rules require that CDN must not accept the offer made under the takeover bid except to the extent that acceptance is authorised by the relevant CDI Holder. In these circumstances, CDN must ensure that the offeror, pursuant to the takeover bid, processes the takeover acceptance.

8.3 Converting between Shares and CDIs

CDI Holders may at any time convert their holding of CDIs (tradeable on ASX) into Shares held on the Canadian register of Shareholders by:

(a) in the case of CDIs held through the issuer sponsored sub-register, contacting the Australian Registry directly to obtain, complete and then submit a 'CDI cancellation 'request form to the Australian Registry; or

(b) in the case of CDIs held on the CHESS sub-register, contacting their controlling participant (generally a stockbroker), who will liaise with the Australian Registry to obtain, complete and then submit the CDI cancellation request form to the Australian Registry.

Upon receipt of a request form, the relevant number of CDIs will be cancelled and Shares will be transferred, on the Canadian register of Shareholders, from CDN into the name of the CDI Holder and a registered uncertificated book-entry position created with a holding statement issued. Trading will no longer be possible on ASX. The Australian Registry will not charge an individual securityholder or Capstone a fee for converting CDI holdings into Shares, however, a cross-border transaction fee may be charged to the CDI Holder by any intermediaries (i.e. stockbroker or custodian) involved. It is expected that this process will be completed within 24 hours, provided that the Australian Registry has received a duly completed and valid form. No guarantee can be given regarding the actual timing for the conversion to take place.

A holder of Shares may also convert their Shares to CDIs by contacting their Canadian stockbroker (or applicable controlling participant) or the Canadian Share Registry where applicable. In this case, the Shares will be transferred from the Shareholder's name into the name of CDN and a CDI holding statement will be issued to the person who converted their Shares to CDIs in respect of the CDIs that have been issued. The Canadian Share Registry will not charge an individual security holder a fee for transferring seeking to convert the Shares, however, a cross-border transaction fee may be charged to the CDI Holder by any intermediaries (i.e. stockbroker or custodian) involved. The CDIs will then be tradeable on ASX.

8.4 Terms and conditions of other Securities

8.4.1 Overview

As at the Latest Date, Capstone has the following outstanding securities on issue (other than Shares and CDIs):

(a) 4,333,897 Options;

(b) 1,061,813 DSUs;

(c) 3,969,121 treasury share units consisting of:

- (i) 2,885,618 PSUs; and
- (ii) 1,083,503 RSUs; and

(d) 2,332,696 share units consisting of:

- (i) 161,947 PSUs; and
- (ii) 2,170,749 RSUs.

8.4.2 Options

As at the Latest Date, Capstone has 4,333,897 Options outstanding, all of which were issued under the Option Plan (refer to Section 8.5.3 for a summary of the Option Plan).

The key terms of the Options are set out below:

Number of Options	Exercise Price (C$)	Expiry Date	Number of Options Exercisable
858,235	0.70	24-02-2025	833,094
31,722	3.47	07-11-2028	10,574
28,396	3.90	07-05-2024	28,396
728,470	3.90	02-03-2026	461,115

Number of Options	Exercise Price (C$)	Expiry Date	Number of Options Exercisable
19,568	4.43	28-11-2027	6,522
27,959	4.72	19-05-2027	0
193,073	5.08	08-06-2027	64,357
8,801	5.45	02-03-2026	8,801
9,564	5.79	02-03-2026	9,564
10,904	6.00	07-05-2024	3,634
785,084	6.00	22-02-2028	258,096
92,758	6.17	02-03-2026	92,758
15,494	6.33	09-05-2028	5,164
19,781	6.61	09-08-2028	10,259
15,408	6.97	07-05-2024	5,136
562,218	6.97	07-03-2027	191,313
958,560	7.25	08-02-2029	0

8.4.3 DSUs

As at the Latest Date, Capstone has 1,061,813 DSUs outstanding all of which were issued under the DSU Plan (refer to Section 8.5.6 for a summary of the DSU Plan).

8.4.4 PSUs

As at the Latest Date, Capstone has 3,047,565 PSUs outstanding all of which were issued under the Treasury Share Plan and Share Unit Plan (refer to Section 8.5 for summaries of both plans).

The key terms of the PSUs are set out below:

Number of PSUs	Exercise Price (C$)	Expiry Date	Number of PSUs Exercisable
Treasury Share Plan			
1,072,826	N/A	02-03-2031	1,072,826
167,522	N/A	17-01-2032	167,522
383,073	N/A	07-03-2032	Nil
37,619	N/A	25-05-2032	Nil
179,789	N/A	08-06-2032	Nil
551,853	N/A	27-02-2033	Nil
492,936	N/A	04-03-2034	Nil
Share Unit Plan			
31,047	N/A	N/A	31,047
130,900	N/A	N/A	130,900

8.4.5 RSUs

As at the Latest Date, Capstone has 3,254,252 RSUs outstanding all of which were issued under the Treasury Share Plan and Share Unit Plan (refer to Section 8.5 for a summary of both plans).

The key terms of the RSUs are set out below:

Number of RSUs	Exercise Price (C$)	Expiry Date	Number of RSUs Exercisable
Treasury Share Plan			
243,678	N/A	02-03-2031	243,678
41,881	N/A	17-01-2032	41,881
167,327	N/A	07-03-2032	103,478
6,270	N/A	25-05-2032	Nil
89,895	N/A	08-06-2032	89,895
270,486	N/A	27-02-2032	Nil
17,497	N/A	14-08-2033	Nil
246,469	N/A	04-03-2034	Nil
Share Unit Plan			
122,546	N/A	N/A	N/A
49,030	N/A	N/A	N/A
7,205	N/A	N/A	N/A
9,111	N/A	N/A	N/A
594,961	N/A	N/A	N/A
8,087	N/A	N/A	N/A
9,063	N/A	N/A	N/A
1,370,746	N/A	N/A	N/A

8.5 Capstone's Incentive Plans

8.5.1 Overview

Capstone's Incentive Share Option and Bonus Share Plan (the **Option Plan**) and Treasury Share Unit Plan (the **Treasury Share Plan**) provide for the issuance of options or share units to a maximum of 10% of Capstone's fully paid, issued and outstanding common shares (**Shares**) (subject to standard anti-dilution adjustments) to employees or directors of Capstone. The Option Plan allows for the issuance of up to 500,000 Bonus Shares in any one calendar year to employees or directors of Capstone. In addition to the Treasury Share Plan, Capstone has a Share Unit Plan which provides for the grants of share units (either PSUs or RSUs) to an employee of Capstone or any Capstone entity (**Share Unit Plan**).

The Option Plan and Treasury Share Plan are considered "rolling" plans as the number of Shares available for issuance under these plans increase with the number of issued and outstanding Shares. The Option Plan and Treasury Share Plan are also considered "evergreen" plans because when: (a) an option or share unit is exercised or redeemed, additional Shares become available for subsequent grants under these plans because each exercise or redemption reduces the number of Shares that are currently covered by options or share units and increases the outstanding share capital of Capstone; and (b) an option or share unit expires or otherwise terminates for any reason without having been exercised or redeemed in full, the number of Shares reserved for issuance under that expired or terminated option or share unit again becomes available for the purposes of these plans. Any option or share unit outstanding when the Option Plan or Treasury Share Plan are terminated will remain in effect until they are exercised, expired or redeemed.

8.5.2 Administration

The plans are administered by the Board (or by a committee of the Board to which authority is delegated, currently the Human Resources and Compensation Committee (the HR&C Committee)).

8.5.3 Terms of the Option Plan

Stock option grants and bonus shares under the Option Plan are used to attract and retain executives and to give them an incentive to participate in the long-term development of Capstone and increase shareholder value.

The following table sets out the key features of the Option Plan:

Feature	Description
Eligibility	The Option Plan provides that options (**Plan Options**) may be issued only to employees (being a person who works full time or on a continuing and regular basis providing services normally provided by an employee) and non-employee directors (**Eligible Person**).
Board discretion	The Option Plan provides that, generally, the exercise price, the expiry time, the extent to which an Option is exercisable and other terms and conditions relating to such Plan Option shall be determined by the Board or any committee to which such authority is delegated by the Board from time to time.
Non-employee director participation limit	At any given time, the number of Options and bonus shares granted to a non-employee director under the Option Plan, in combination with all other equity awards granted to the person, shall be limited to the lesser of: (i) a reserve, as a group, of equity awards entitling them to acquire up to 1% of the issued and outstanding Shares; and (ii) an annual equity award value of C$150,000 per non-employee director, provided that the total value of Options issuable to any one non-employee director in any one year period will not exceed C$100,000.
Limitation on grant	In no case will: (i) Options to acquire more than 5% of the issued and outstanding Shares be granted to any one individual in any one year period; (ii) the maximum number of Shares issued to insiders (as defined in applicable securities legislation), together with the maximum number of Shares issuable to insiders pursuant to all other equity award arrangements, at any time exceed 10% of the issued and outstanding Shares; and (iii) the maximum number of Shares issued to insiders, together with the maximum number of Shares issuable to insiders pursuant to all other equity award arrangements, within a one year period, exceed 10% of the issued and outstanding Shares.
Maximum term of Option	Plan Options granted under the Option Plan will be for a term not exceeding ten years from the date of grant.
No assignment	Plan Options may not be assigned or transferred.

Feature	Description
Change of control	The Option Plan contains a double-trigger change of control provision. If an eligible person, who is approved for participation by the Board in the Option Plan, has his or her employment terminated without cause by Capstone or a Capstone subsidiary within 12 months of a change of control, all unvested Options shall vest immediately and become exercisable.
Exercise price	Plan Options granted under the terms of the Option Plan are exercisable at a price set at the date of the grant which is not less than the closing price of the Shares on the TSX immediately preceding the date of grant.
Full payment of Shares	Capstone will not issue Shares pursuant to Plan Options unless and until the Shares to be issued on exercise of the Plan Options have been fully paid for. Capstone will not provide financial assistance to an Option holder to assist them in exercising his or her Option.
No rights to Shares	Plan Options granted under the Option Plan do not grant the holder rights as a shareholder of Capstone with respect to any Shares issuable upon the exercise of any Option until such Option has been duly exercised and such Shares have been issued to the holder.
Termination of Option Plan	The Option Plan may be amended, modified or terminated by the Board without the approval of Capstone's shareholders.
Vesting	Plan Options granted under the Option Plan shall vest in accordance with any vesting schedule set by the Board at the time of the grant.
Amendments	Pursuant to the policies of the TSX, the Board may, at any time, without further approval by shareholders, amend the Option Plan or any option granted thereunder to: (i) amend typographical, clerical and grammatical errors; (ii) reflect changes to applicable securities laws; (iii) amend the vesting provisions of the Option Plan or any Plan Option; (iv) amend the early termination provision of the Option Plan or any Plan Option, provided the amendment does not entail an extension beyond the expiry date of the Plan Option; (v) and add any form of financial assistance by Capstone for the acquisition of Shares under the Option Plan, including by way of cashless exercise.

8.5.4 Terms of the Treasury Share Plan

(a) Overview

In addition to the Option Plan, Capstone also has a treasury share plan pursuant to which the HR&C Committee (refer to Section 5.6.5) may award grants of share units (either performance share units (PSUs) or restricted share units (RSUs)) up to a maximum of 3.5% of Capstone's issued and outstanding Shares (subject to standard anti-dilution adjustments) to an individual employed by Capstone or any Capstone entity (Treasury Share Plan). The Shares delivered under the Treasury Share Plan upon vesting of share units are from treasury stock.

The objectives of the Treasury Share Plan are to:

- promote further alignment of interests between officers, employees and other eligible service providers and the shareholders of Capstone;
- associate a portion of the compensation payable to officers, employees and other eligible service providers with the returns achieved by shareholders of Capstone; and

- attract and retain officers, employees and other eligible service providers with the knowledge, experience and expertise required by Capstone.

(b) **PSU**

A PSU is a right granted to an eligible person to receive a Share that may become vested subject to the attainment of certain performance conditions determined by the HR&C Committee.

For more information on the PSUs issued by Capstone as at the Prospectus Date, refer to Section 8.4.4.

(c) **RSU**

A RSU is a right granted to an eligible person to receive a Share that may become vested following a period of continuous employment with Capstone or a Capstone entity.

For more information on the RSUs issued by Capstone as at the Prospectus Date, refer to Section 8.4.5.

(d) **Key terms**

The following table sets out the key features of the Treasury Share Plan:

Feature	Description
Eligibility	The HR&C Committee may award grants of PSUs and/or RSUs to individuals employed by Capstone or a Capstone entity.
HR&C Committee Discretion	The HR&C Committee has absolute discretion to administer the Treasury Share Plan, which includes, without limitation, the ability to determine the date of awards, eligible persons, the grant value and the terms and conditions of grants.
Limitation on grant	The maximum number of share units that may be issued, together with all other equity award arrangements, may not exceed 10% of the issued and outstanding Shares, provided that the maximum number of Shares that may be issued under the Treasury Share Plan may not exceed 3.5% of the issued and outstanding Shares. The maximum number of Shares: (i) issued to insiders (as defined in the Treasury Share Plan) within any one year period, and (ii) issuable to insiders, at any time under the Treasury Share Plan or when combined with all Capstone's other equity award arrangements, shall not exceed 10% of issued and outstanding common shares.
Evergreen	Shares subject to any grant that are forfeited, surrendered, cancelled or otherwise terminated prior to the issuance of such Shares shall again be available for grant under the Treasury Share Plan. Following the exercise or settlement of any grant under the Treasury Share Plan, a number of Shares underlying such grant so exercised or settled will immediately and automatically become available for issuance under the Treasury Share Plan.
No assignment	Except upon the death of a participant and the designation of a beneficiary under the Treasury Share Plan, PSUs and RSUs may not be transferred or assigned.
Market value	The market value with respect to any particular date is calculated as the volume weighted average trading price per Share on the TSX during the immediately preceding five days on which the Shares were actually traded or the value established by the HR&C Committee on the Board acting in good faith.

Feature	Description
Maximum term	PSUs and RSUs granted under the Treasury Share Plan will be for a term that is the lesser of ten years after the date on which the PSU or RSU (as applicable) is granted or the latest date permitted under the applicable rules and regulations of all regulatory authorities to which Capstone is subject, including the TSX.
Redemption	Except if the award specifies that redemption will occur automatically, vested PSUs and RSUs may be redeemed by submitting a redemption notice. PSUs and RSUs vest when the applicable performance conditions and any other conditions for payment or other settlement have been met, waived or deemed to be met.
No rights to Shares	PSUs and RSUs granted under the Treasury Share Plan do not entitle the holder to any shareholder rights, including (without limitation), voting rights, dividend entitlement or rights on liquidation.
Dividend-equivalents and adjustments	On any payment date for dividends paid on Shares prior to the settlement date, an eligible participant shall be credited with dividend equivalents in respect of PSUs and/or RSUs granted under the Treasury Share Plan and converted into additional RSUs or PSUs on the date which the dividends are paid. The additional RSUs and PSUs granted shall be subject to the same terms and conditions (including vesting and settlement), as the corresponding RSUs or PSUs. A proportional adjustment to the number of PSUs and RSUs (as applicable) outstanding under the Treasury Share Plan will be made in the event of any stock dividend, stock split, combination or exchange of shares, capital reorganisation, consolidation, spin-off, dividend (other than cash dividends in the ordinary course) or other distribution of the Company's assets to shareholders, or other similar changes affecting Capstone's shares.
Change of Control	Following a change of control, the HR&C Committee may determine: (i) that for any PSU there shall be a substituted entitlement to receive cash or such securities into which Shares are changed; or (ii) that the total number of share units shall be the greater of the number of PSUs as specified in the grant agreement without giving effect to any potential increase or decrease as a result of the change of control, or the number of PSUs specified in the grant agreement giving effect to any increase or decrease as a result of the change of control.
Amendments	The Treasury Share Plan may be amended, modified or terminated by the Board without approval of shareholders of Capstone, provided that no amendment to the Treasury Share Plan (or grants thereunder) may be made without the consent of a participant if it adversely alters or impairs the rights of the participant in respect of any grant previously granted, except for purposes of compliance with applicable law. For greater certainty, the following amendments require shareholder approval: (i) increase in the maximum number of common shares issuable; (ii) increase or removal of the Insider participation limits; (iii) extending the maximum term of a grant, except in case of an extension due to a black-out period; (iv) assignment provisions; (v) including other types of equity compensation involving the issuance of common shares; and (vi) provisions to grant additional powers to the Board to amend the Treasury Share Plan without shareholder approval. For greater certainty and without limiting the foregoing, shareholder approval shall not be required for the following amendments and the Board may make such changes without shareholder approval, subject to TSX approval: (i) amendments of a "housekeeping" nature; (ii) a change to the vesting provisions of any grants; (iii) a change to the termination provisions of any grant that does not entail an extension beyond the original term of the grant; or (iv) amendments to the provisions relating to a change of control.

8.5.5 Terms of the Share Unit Plan

(a) Overview

Capstone has a Share Unit Plan pursuant to which the HR&C Committee may award grants of share units (either PSUs or RSUs) to an individual employed by Capstone or any Capstone entity (**Share Unit Plan**).

PSUs granted to executives vest after three years and are subject to a performance measure of 0% to 200%. RSUs granted to executives and employees vest 1/3 per year starting on the first anniversary of the grant date.

The objectives of the Share Unit Plan are similar to the objectives of the Treasury Share Plan (see above).

(b) Key terms

The following table sets out the key features of the Share Unit Plan:

Feature	Description
Eligibility	The HR&C Committee may award grants of PSUs and/or RSUs to individuals employed by Capstone or a Capstone entity.
HR&C Committee Discretion	The HR&C Committee has absolute discretion to administer the Share Unit Plan, which includes, without limitation, the ability to determine the date of awards, eligible persons, the grant value and the terms and conditions of grants.
Limitation on grant	There are no limitations on the number of share units that may be granted under the Share Unit Plan.
No assignment	Except upon the death of a participant and the designation of a beneficiary under the Share Unit Plan, PSUs and RSUs may not be transferred or assigned.
Market value	The market value with respect to any particular date is calculated as the volume weighted average trading price per Share on the TSX during the immediately preceding five days on which the Shares were actually traded or the value established by the HR&C Committee on the Board acting in good faith.
Vesting and settlement	RSUs and PSUs granted under the Share Unit Plan, are settled by a distribution to the participant, subject to payment or other satisfaction of all related withholding obligations, in cash (at the Market Value of a Share) or Shares delivered from a Share Purchase Trust (as defined in the Share Unit Plan), or a combination thereof as determined by the HR&C Committee. The Shares delivered from the Share Purchase Trust in connection with the settlement and exercise of RSUs and PSUs granted under the Share Unit Plan shall be purchased through the TSX or other stock exchange on which the Shares are listed by the Trustee acting through a broker.
No rights to Shares	PSUs and RSUs granted under the Share Unit Plan do not entitle the holder to any shareholder rights, including (without limitation), voting rights, dividend entitlement or rights on liquidation.
Dividend-equivalents and adjustments	On any payment date for dividends paid on Shares prior to the settlement date, an eligible participant shall be credited with dividend equivalents in respect of PSUs and/or RSUs granted under the Share Unit Plan and

Feature	Description
	converted into additional RSUs or PSUs on the date which the dividends are paid. The additional RSUs and PSUs granted shall be subject to the same terms and conditions (including vesting and settlement), as the corresponding RSUs or PSUs. A proportional adjustment to the number of PSUs and RSUs (as applicable) outstanding under the Share Unit Plan will be made in the event of any stock dividend, stock split, combination or exchange of shares, capital reorganisation, consolidation, spin-off, dividend (other than cash dividends in the ordinary course) or other distribution of the Company's assets to shareholders, or other similar changes affecting Capstone's shares.
Change of Control	Following a change of control, the HR&C Committee may determine: (i) that for any PSU there shall be a substituted entitlement to receive cash or such securities into which Shares are changed; or (ii) that the total number of share units shall be the greater of the number of PSUs as specified in the grant agreement without giving effect to any potential increase or decrease as a result of the change of control, or the number of PSUs specified in the grant agreement giving effect to any increase or decrease as a result of the change of control.
Amendments	The Share Unit Plan may be amended, modified or terminated by the Board without approval of shareholders of Capstone, provided that no amendment to the Share Unit Plan (or grants thereunder) may be made without the consent of a participant if it adversely alters or impairs the rights of the participant in respect of any grant previously granted, except for purposes of compliance with applicable law.

For more information on the RSUs and PSUs issued by Capstone as at the Prospectus Date, refer to Sections 8.4.4 and 8.4.5.

8.5.6 Terms of director deferred share unit plan

As part of Capstone's equity retainer provided to Directors (see Section 5.4) Capstone has a deferred share units plan (**DSU Plan)** pursuant to which Capstone grants DSUs to directors. DSUs issued under the DSU Plan are fully vested upon issuance and entitle the holder to a cash payment only following cessation of services as a Director. The value of the DSUs when converted to cash will be equal to the number of DSUs granted multiplied by the quoted market value of a Capstone Share at the time the conversion takes place.

Under the DSU Plan, independent directors may elect to receive up to 100% of their fees for serving as a director in the form of DSUs. Directors receiving DSUs will be credited with additional DSUs whenever cash dividends are paid on common shares. While DSUs received by Capstone's directors vest immediately, directors will only be able to redeem their DSUs after they cease to be directors of Capstone.

The Board may amend the DSU Plan as it deems necessary or appropriate or terminate the DSU Plan at any time, but no such amendment or termination will, without the consent of the eligible director or unless required by law, adversely affect the rights of an eligible director with respect to any amount in respect of which an eligible director has then elected to receive DSUs or DSUs which the eligible director has been granted under the DSU Plan.

For more information on the DSUs issued by Capstone as at the Prospectus Date, refer to Section 8.4.3.

8.6 Summary of applicable Canadian law

Capstone is a corporation continued under the *Business Corporations Act* (British Columbia) (**BCBCA**), and subject to the laws of the Province of British Columbia and the federal laws of Canada applicable therein. Capstone is also a reporting issuer under the securities laws in each province and territory of Canada. Capstone's Shares are listed and posted for trading on the TSX.

As Capstone is not incorporated in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Corporations Act or by ASIC but instead are regulated by the BCBCA, Canadian common law, applicable Canadian securities laws, Capstone's articles (**Articles**), and the rules and policies of the TSX (**TSX Rules**). Capstone must also comply with certain limited ASX Listing Rules, subject to any specific waivers granted by ASX.

Under the BCBCA, the constituent documents of Capstone consist of the "notice of articles", which includes the name of the corporation and the amount and class of authorised capital, and "articles" which govern the operation of the corporation. The notice of articles is filed with the British Columbia Registrar of Companies and the Articles are filed with the company's registered and records office.

This is a general summary of the laws and regulations concerning shares in a company existing under the BCBCA. The summary is not an exhaustive summary of all relevant laws, rules and regulations and is intended as a general guide only. Further, the summary does not purport to be a comprehensive analysis of all the consequences resulting from acquiring, holding or disposing of such shares or interest in such shares. The laws, regulations, policies and procedures described are subject to change from time to time. References to 'Canadian law' are references to the BCBCA, the TSX Company Manual, Canadian corporate and securities law and Canadian common law, as applicable.

8.6.1 Directors

Pursuant to the BCBCA and the Articles, Directors shall manage or supervise the management of the business and affairs of Capstone.

8.6.2 Transactions requiring shareholder approval

The required authorisation to amend the notice of articles or articles of a corporation under the BCBCA will be specified in the BCBCA or the articles of the company based on the type of resolution, and if none is specified, by special resolution of shareholders. In certain instances, the BCBCA or the articles may provide for approval solely by a resolution of the directors.

The BCBCA provides that a special majority of votes is required for Capstone to pass a special resolution at a meeting of shareholders in certain circumstances, including but not limited to certain amalgamations, reducing stated capital, continuance into another jurisdiction, a sale, lease or disposition of all or substantially all 'f the company's assets or undertaking, arrangements and voluntary liquidation. A special majority is a majority of votes, as specified by the Articles, that has at least two thirds of the votes cast in favour of the resolution. Unless the BCBCA or Articles require a special resolution, ordinary resolutions of Capstone shareholders are passed by a simple majority of votes cast on the resolution. In addition, under the TSX Rules, the TSX may require Capstone securityholders to approve certain transactions.

For the election of directors, Capstone has a majority voting policy whereby any nominee in an uncontested election who receives a greater number of votes "withheld" than votes "for" shall be considered not to have received the support of shareholders.

The BCBCA provides that, unless the Articles provide otherwise, each Share entitles the holder to one vote at a meeting of shareholders. Furthermore, the BCBCA and the Articles state that voting is to be conducted by a show of hands, unless a poll is demanded or otherwise required by securities law.

Under the BCBCA, on a show of hands, each holder of Shares present in person or by proxy and entitled to vote has one vote. If a poll is called, each holder of Shares present in person or by proxy will have one vote for each Share held.

8.6.3 General meetings of Shareholders

(a) Calling a meeting of Shareholders

The BCBCA and the Articles provide that Capstone may call a meeting of shareholders.

The BCBCA also provides that holders of not less than 5% of the votes that may be cast at general meetings may requisition the directors to call a general meeting of shareholders for the purposes stated in the requisition. Subject to the requisition complying with the technical requirements in the BCBCA, directors are required to call the requisitioned general meeting within 21 days of receiving the requisition and the meeting must be held within 4 months after the requisition date.

If the directors do not send a notice of general meeting within the specified timeframe outlined above, the requisitioning shareholders, or any shareholder holding more than 2.5% of the voting shares, may send the notice of general meeting for the purposes stated in the requisition.

(b) Shareholder proposal

Under Canadian law, a shareholder proposal is a document setting out a matter that the submitting shareholder proposes to have considered at the next general meeting of Capstone (**Shareholder Proposal**). Under the BCBCA, Shareholder Proposals may generally be submitted by both registered and beneficial shareholders who hold:

- at least 1% of the votes that may be cast at a general meeting (either alone or in aggregate with other shareholders); or
- shares with a fair market value of more than C$2,000 if the applicable holder of such shares has been a registered owner or beneficial shareholder for a continuous period of at least 2 years before the execution of the Shareholder Proposal.

If a Shareholder Proposal has been submitted in accordance with the BCBCA, Capstone is required to set out the text of the Shareholder Proposal and the names and mailing addresses of the submitter and the supporters to all persons entitled to receive notice of the annual general meeting to which the Shareholder Proposal refers. Such information must be despatched either in the notice of annual general meeting or in Capstone's management proxy circular (or equivalent) in relation to the annual general meeting unless an exception in the BCBCA applies.

(c) Right to appoint proxies

The BCBCA provides that, subject to certain exceptions, a shareholder is entitled to vote at a meeting of Capstone in person or by proxy. According to the Articles, every shareholder who is entitled to vote at a meeting of Capstone may appoint one or more proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy.

Holders of CHESS depository interests (CDIs) can attend but cannot vote in person at a general meeting, and must instead direct CHESS Depositary Nominees Pty Limited (CDN) how to vote in advance of the meeting. Any notice of meeting issued to CDI holders will include a form permitting the holder to direct CDN to cast proxy votes in accordance with the holder's written instructions.

CDI holders cannot vote personally at shareholder meetings. The CDI holder must convert their CDIs into certificated shares prior to the relevant meeting in order to vote in person at the meeting.

As CDI holders are not the legal owners of underlying shares, CDN, which holds legal title to the Shares underlying the CDIs, is entitled to vote at shareholder meetings of Capstone on the instruction of the CDI holders.

The ASX Settlement Rules require Capstone to give notices to CDI holders of general meetings of shareholders. The notice of meeting must include a form permitting the CDI holder to direct CDN how to vote on a particular resolution, in accordance with the CDI holder's written directions. CDN is then obliged under the ASX Settlement Rules to lodge proxy votes in accordance with the directions of CDI holders.

CDI holders are entitled to give instructions for one vote for every underlying Share held by CDN.

(d) **Notices of meetings**

The BCBCA and the Articles require that notice of a meeting of shareholders must be provided to the shareholders entitled to vote not less than 21 days and not more than 2 months before the meeting.

Under applicable Canadian securities laws, any time that management of Capstone gives notice of a meeting to its registered holders of voting securities, it must also send or otherwise make available such as through notice-and-access procedures a form of proxy for voting at the meeting to such holders and a management information circular in prescribed form together with the notice of meeting.

(e) **Timing of annual shareholder meetings**

The time frame within which Capstone annual meeting of securityholders must be held is prescribed by the BCBCA, which stipulates that a corporation must hold an annual meeting of shareholders within 15 months of the last annual reference date, but at least once in a calendar year.

(f) **Transactions requiring shareholder approval**

Under the BCBCA, the constituent documents of Capstone consist of the "notice of articles", which includes the name of the corporation and the amount and class of authorised capital, and "articles" which govern the operation of the corporation. The notice of articles is filed with the British Columbia Registrar of Companies and the articles are filed with the company's registered and records office.

The required authorisation to amend the notice of articles or articles of a corporation under the BCBCA will be specified in the BCBCA or the articles of the company based on the type of resolution, and if none is specified, by special resolution of shareholders. In many instances, including a change of name or amendments to the articles, the BCBCA or the articles may provide for approval solely by a resolution of the directors.

The BCBCA provides that a special majority of votes is required for Capstone to pass a special resolution at a meeting of Shareholders in certain circumstances, including but not limited to certain amalgamations, reducing stated capital, continuance into another jurisdiction, a sale, lease or disposition of all of substantially all ’f the company’s assets or undertaking, arrangements and voluntary liquidation. A special majority is a majority of votes, as specified by the Articles, that has at least two thirds of the votes cast in favour of the resolution. Unless the BCBCA or Articles require a special resolution, ordinary resolutions of Capstone Shareholders are passed by a simple majority of votes cast on the resolution. In addition, under the TSX Rules, the TSX may require Capstone securityholders to approve certain transactions, as further discussed below under Section 8.6.4.

The BCBCA provides that, unless the Articles provide otherwise, each Share entitles the holder to one vote at a meeting of Shareholders. Furthermore, the BCBCA and the Articles state that voting is to be conducted by a show of hands, unless a poll is demanded.

Under the BCBCA, on a show of hands, each holder of Shares present in person or by proxy and entitled to vote has one vote. If a poll is called, each holder of Shares present in person or by proxy will have one vote for each Share held.

8.6.4 Disclosure to shareholders

(a) **The disclosure of material information**

When a material change occurs in the affairs of Capstone, Capstone is required to immediately issue a press release describing the change and, as soon as practicable (but no later than 10 days after the change), file with the securities commissions a material change report. A “material change” means a change in the business, operations or capital of the company that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the company and includes a decision to implement such a change made by the board of directors of the company or by senior management of the company who believe that confirmation of the decision by the board of directors is probable.

The TSX has timely disclosure requirements that are in addition to applicable statutory requirements. The TSX requires timely disclosure of “material information” of a listed company, which it defines as any information relating to the business and affairs of a company that results in or would reasonably be expected to result in a significant change in the market price or value of the company’s listed securities. Material information is a broader concept that includes both matters that are a material fact or a material change.

(b) **The disclosure of periodic financial information and the accounting and auditing standards that apply**

Generally, a company that is listed on the TSX must file its interim financial report on the SEDAR+, on or before the ear^li^er of the 45th day after the end of the interim period and the date of filing an interim financial report in a foreign jurisdiction for a period ending on the last day of the interim period. Interim financial reports are not required to be audited but may be reviewed. Interim financial reports must be accompanied by a notice indicating that they have not been reviewed by an auditor if that is the case.

A company must file comparative annual financial statements on or before the earlier of 90 days from the end of its last financial year and the date of filing an interim financial report in a foreign jurisdiction. The annual financial statements must be audited and approved by the board of directors of the company, and must be accompanied by a report of the auditor of the company.

All financial statements, filed by a company that is subject to disclosure obligations under Canadian securities laws, must comply with National Instrument 52-107 – *Acceptable Accounting Principles and Auditing Standards*. Subject to certain exceptions, financial statements must be prepared in accordance with IFRS (International Financial Reporting Standards) and Canadian generally accepted auditing standards.

(c) **Requirements for information to be sent to security holders**

An information circular will be required to be sent to each of the shareholders of Capstone in relation to any circumstances in which Capstone must seek shareholder approval.

National Instrument 51-102 further sets out the circumstances in which a company is required to prepare and file an information circular. It also contains the disclosure requirements for information circulars.

(d) **Executive compensation**

Under applicable Canadian securities law, a report on executive compensation is required to be included in the management proxy circular in connection with the annual general meeting each year.

8.6.5 Issuing securities

The BCBCA permits shares with or without par value. Pursuant to the Articles, Capstone is authorised to issue an unlimited number of shares without par value. Shares may be issued for such consideration as the Directors may determine. Shares are non-assessable and may only be issued if consideration for such shares is fully paid.

Under the TSX Rules, Capstone requires the approval of the TSX to issue securities other than unlisted non-voting, non-participating securities. The TSX may impose conditions on a transaction or grant exemptions from its own requirements.

The TSX will generally require Shareholder approval of any transaction that:

(a) materially affects control of Capstone, being generally the creation of a new 20% Shareholder(s); or

(b) provides consideration to “insiders” of Capstone (as defined in the TSX Rules, being generally: Capstone’s directors, chief executive officer, chief financial officer, chief operating officer, persons responsible for a principal business unit, division or function of Capstone or shareholders holding 10% or more of the outstanding voting securities in Capstone (including on a partially diluted basis) (**Capstone Insiders**)), that represents 10% or more of Capstone’s market capitalisation (subject to certain conditions) during any six month period.

In addition, for distributions of listed securities in reliance on an exemption from the prospectus requirement under applicable Canadian securities laws (known as private placements), the TSX will generally require Shareholder approval as a condition to approving a private placement if:

(a) the private placement, taken together with all private placements during any six month period, are to Capstone Insiders for listed securities or options, rights or other entitlements to listed securities greater than 10% of the number of securities of Capstone which are outstanding, on a non-diluted basis, prior to the date of closing of the first private placement to an Capstone Insider during the six month period;

(b) the price per listed security being issued in the private placement is below the maximum allowable discount to the "market price" (defined in the TSX Rules as the 5-day VWAP of the listed securities) of the applicable listed securities (such discount is 15% where the market price per listed security is above C$2.00, 20% where the market price per listed security is between C$0.51 and C$2.00 each or 25% where the market price per listed security is C$0.50 or less); or

(c) the number of securities of Capstone to be issued under the private placement represents more than 25% of the number of securities of that class outstanding, on a non-diluted basis, prior to the date of the transaction, if the price per security is less than the market price.

As a TSX-listed issuer, Capstone must obtain shareholder approval when the number of securities issued in payment for an acquisition exceeds 25% of the number of issued and outstanding securities of Capstone on a non-diluted basis.

If Capstone Insiders will receive, as consideration in an acquisition, securities or options, rights or other entitlements to listed securities representing more than 10% of the number of securities outstanding on a non-diluted basis, shareholder approval will be required and the Capstone Insiders may not vote their securities.

The TSX also requires shareholder approval of securities-based compensation arrangements, including stock option plans, share unit plans and any compensation or incentive mechanism involving the issuance or potential issuance of securities from treasury. The TSX prescribes specific disclosure requirements for the materials provided to shareholders for the purposes of such approval, including all material information that shareholders may reasonably require to approve the arrangements. Certain substantive requirements are imposed that must be complied with including, but not limited to: exercise prices for any stock options granted under a security based compensation arrangement may not be lower than market price of the securities at the time the stock options are granted; there must be a maximum number or percentage of securities issuable; and certain amendments will require shareholder approval.

8.6.6 Changes in rights attaching to securities

The required authorisation to amend the notice of articles or articles of a corporation under the BCBCA will be specified in the BCBCA or the articles of the corporation based on the type of resolution. If the type of resolution is not specified in the BCBCA or the Articles, most amendments will require a special resolution of the shareholders to be approved by not less than two-thirds of the votes cast by the shareholders voting on the resolution.

Amendments to any special rights and restrictions attaching to any issued Shares require, in addition to any resolution provided for by the Articles, consent by a special resolution of the holders of the class or series of Shares affected.

8.6.7 Share buy-backs

Under the BCBCA, a company may repurchase its shares, if it is so authorised by, and subject to any restrictions in, its articles unless there are reasonable grounds for believing that the company is, or would after the repurchase be, unable to pay its debts as they become due in the ordinary course of its business.

The TSX permits a listed issuer, subject to the filing of the required form of notice at least two clear Canadian Trading Days prior to any purchases under a bid, to conduct a "normal course issuer bid" for that listed issuer's own shares for a period of up to one year. There are a number of restrictions with respect to undertaking a normal course issuer bid, including on the number of shares and price at which those can be repurchased by the listed issuer. Any listed issuer that conducts a normal course issuer bid in this manner is required to issue a press release summarising the terms of the normal course issuer bid and the details of any similar purchases made in the past 12 months and is also required to report certain information concerning the normal course issuer bid to the TSX.

Applicable Canadian securities laws place additional requirements on buy-backs, which are regulated under the category of issuer bids. Unless one of the limited exemptions is available (such as for a normal course issuer bid in accordance with TSX Rules described above), an issuer bid must be extended to all securityholders located in Canada, at the same price per security as the offer to acquire. These provisions require, among other things, the production, filing and mailing of an issuer bid circular to shareholders of the issuer.

8.6.8 Regulation of takeovers

Under applicable Canadian securities laws, a "takeover bid" occurs when there is an "offer to acquire" outstanding voting or equity securities made to any person in any province or territory of Canada where the securities subject to the offer, together with the securities beneficially owned or directly or indirectly controlled or directed by the offeror and its joint actors, constitute 20% or more of the outstanding securities of such class of securities, calculated on a partially diluted basis to include deemed beneficial ownership of certain convertible securities.

Unless an exemption is available, a takeover bid must be extended to all securityholders located in Canada, at the same price per security as the offer to acquire. These provisions require, among other things, the production, filing and mailing of a takeover bid circular to shareholders of the target company.

Takeover bids must treat all security holders alike and must not involve any collateral agreements, with certain exceptions for employment compensation arrangements. A bid must remain open for at least 105 days from the date of the bid (subject to a reduction of the minimum deposit period to a minimum of 35 days with the consent of the target's board of directors or where certain competing take-over bids or alternative change of control transactions are outstanding), after which time all securities deposited under the offer may be taken up.

For the protection of target security holders, the takeover bid rules contain various additional requirements, such as restrictions applicable to conditional offers and the withdrawal, amendment or suspension of offers. Securities regulators also retain a general "public interest jurisdiction" to regulate takeovers and may intervene to halt or prevent activity that is abusive. Issuer bids are regulated similarly to takeover bids.

There are extensive disclosure requirements associated with takeover bids, beginning with "early warning" disclosure required when an acquirer, together with any persons acting jointly or in concert with such acquirer, acquires beneficial ownership of, or direct or indirect control or direction over 10% or more of the outstanding voting securities of the issuer, calculated on a partially diluted basis to include beneficial ownership of certain convertible securities. Generally, further disclosure is required for additional purchases of 2% or more of the outstanding securities for which such early warning disclosure is required. Purchases of securities of the target company outside the bid, before, during, and after the bid, are also generally restricted or regulated.

The BCBCA contains compulsory acquisition provisions, which allow a person who acquired not less than 90% of a company's Shares to acquire the remaining 10% of Shares on issue, within 5 months after the date of a takeover bid, provided the bid was accepted by holders of not less than 90% of the company's Shares within 4 months of making the offer.

Canadian securities laws allow certain exemptions to the formal bid requirements, on specified conditions. For example, private agreements to purchase securities from up to five persons are permitted if the purchase price does not exceed 115% of the market price. Under the normal course purchase exception, the offeror (together with any joint offerors) may acquire up to 5% of a class of securities within a 12-month period if there is a published market for the relevant class and the consideration paid does not exceed the market price at the date of acquisition. A de minimis exemption also exists in circumstances where less than 50 beneficial shareholders are subject to the bid, and those shareholders collectively represent less than 2% of a class of securities.

The Canadian Securities Administrators (**CSA**) have recognised that takeover bids play an important role in the economy by acting as a discipline on corporate management and as a means of reallocating economic resources to their best uses. In considering the merits of a takeover bid, the CSA recognises that there is a possibility that the interests of management of the target company will differ from those of its shareholders. The CSA considers the primary objective of the takeover bid provisions of the Canadian securities legislation to be the protection of the bona fide interest of the shareholders of the target company and shareholders should have an opportunity to determine the outcome of a take-over bid. As certain defensive measures taken by management of a target company may have the effect of denying shareholders the ability to make a fully formed decision and frustrating an open takeover bid process (for example, these include granting an option on securities representing a significant percentage of the target company's outstanding securities, introducing a shareholders rights plan or entering into an agreement to sell or acquire material assets or other corporate actions other than in the normal course of business), the CSA will examine target company defensive tactics in specific cases to determine whether they are abusive of shareholder rights.

If a takeover bid or similar transaction is made in relation to the Shares of which CDN is the registered holder, the ASX Settlement Rules require that CDN must not accept the offer made under the takeover bid except to the extent that acceptance is authorised by the relevant CDI holder. In these circumstances, CDN must ensure that the offeror, pursuant to the takeover bid, processes the takeover acceptance.

8.6.9 Substantial shareholder reporting

Under applicable Canadian securities law, a person who acquired beneficial ownership of or control or direction, directly or indirectly, of more than 10% of the outstanding Shares will be required to publicly disclose their holdings, and to file an early warning report with the applicable Canadian securities regulatory authorities. The early warning report discloses the person's name, address, and certain details of surrounding their ownership of Shares and securities of Capstone convertible into Shares. Once an early warning report has been filed by a person, they are required to file a news release and early warning report for every 2% (or more) change in the voting or equity securities that the person acquires, or, when the person ceases to hold at least 10% of the voting or equity shares in the company.

Certain Capstone insiders who qualify as "reporting insiders" as defined under National Instrument 55-104 – *Insider Reporting Requirements and Exemptions* are required to file an insider report in the prescribed form which discloses the number and percentage of the securities that the "reporting insider" holds or exercises direction or control over. The insider reports are publicly available on the System for Electronic Disclosure for Insiders (http://www.sedi.ca) and must be filed within 10 days of a person becoming a "reporting insider" of Capstone and within 5 days of any changes to that person's security holdings in Capstone.

8.6.10 Dealings with directors and controlling holders of equity securities

Under applicable Canadian securities law, a person or company in a special relationship with a company is prohibited from purchasing or selling securities of the company, or from advising another person to purchase or sell securities of the company, with knowledge of a material fact or material change with respect to the company that has not been generally disclosed.

Persons or companies in a "special relationship" with a company include, but are not limited to, directors, officers or employees of the company and other insiders, Affiliates or associates of the company. Within 5 days of a change in such person's or company's holdings in a company, the person or company must file an insider report detailing such change on the System for Electronic Disclosure by Insiders (**SEDI**), a publicly accessible reporting website.

Capstone is subject to *Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions of the CSA* (**MI 61-101**) which regulates transactions that raise the potential for conflicts of interest, including issuer bids, insider bids, related party transactions and business combinations. MI 61-101 regulates certain types of transactions to ensure equality of treatment among securityholders when, in relation to a transaction, there are persons in a position that could cause them to have an actual or reasonably perceived conflict of interest or informational advantage over other security holders. The securityholder protections provided by MI 61-101 go substantially beyond the requirements of corporate law.

A related party transaction includes a transaction between an issuer and a person that is a "related party" (as defined in MI 61-101) to the issuer at the time that the transaction is agreed to, whether or not there are also other parties to the transaction, as a consequence of which, either through the transaction itself or together with a connected transaction, the issuer directly or indirectly, among other things:

(a) purchases or acquires an asset from the related party for valuable consideration;

(b) sells, transfers or disposes of an asset to the related party;

(c) leases property to or from the related party;

(d) acquires the related party or combines with the related party through an amalgamation, arrangement or otherwise;

(e) issues a security to, or subscribes for a security of the related party;

(f) materially amends the terms of an outstanding debt or liability owed by or to the related party, or the terms of an outstanding credit facility with the related party;

(g) provides a guarantee or collateral security for a debt or liability of the related party, or materially amends the terms of the guarantee or security; or

(h) borrows money from, lends money to the related party, or enters into a credit facility with the related party.

Unless an exemption is available, MI 61-101 requires that in respect of a related party transaction:

(i) the issuer obtain a formal valuation in respect of the equity securities being acquired, prepared by an independent and qualified valuator; and

(j) the issuer obtain “majority of the minority” approval of the transaction (ie, approval by a majority of the affected securityholders, excluding the votes attached to affected securities held by the issuer, “interested parties” (as defined in MI 61-101), related parties of an interested party, and a joint actor of an “interested parties” or a related party of an “interested parties”); and

(k) the issuer includes certain detailed disclosure regarding the related party transactions in a material change report or management information circular that is required to be filed under applicable Canadian securities laws, if any.

8.6.11 Protection of minority shareholders – oppression remedy

In accordance with the BCBCA, a shareholder or other person whom the court considers appropriate may apply to a court for an order on the following grounds:

(a) the affairs of the company are being or have been conducted, or that the powers of the directors are being or have been exercised, in a manner oppressive to one or more of the shareholders, including the applicant; or

(b) some act of the company has been done or is threatened, or that some resolution of the shareholders or of the shareholders holding Shares of a class or series of Shares has been passed or is proposed, that is unfairly prejudicial to one or more of the shareholders, including the applicant.

On such an application, the court may make such order as it sees fit, including an order to prohibit any act proposed by the company.

8.6.12 Legal proceedings on behalf of the entity

A complainant may, with judicial leave, bring an action (**Derivative Action**) in the name and on behalf of the company or any of its subsidiaries, or intervene in an action to which such company is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of the company.

Leave may not be granted for a Derivative Action unless the court is satisfied that:

(a) the complainant has made reasonable efforts to cause the directors of the company to prosecute or defend the legal proceeding;

(b) notice of the application for leave has been given to the company and to any other person the court may order;

(c) the complainant is acting in good faith; and

(d) it appears to be in the best interests of the company for the legal proceeding to be prosecuted or defended.

8.7 Canadian taxation summary

The following summary describes the principal Canadian federal income tax considerations generally applicable to a purchaser who acquires, as beneficial owner, Capstone’s Shares (including by way of CDIs) and who for purposes of the Income Tax Act (Canada) and the Income Tax Regulations (together, the **Tax Act**), at all relevant times, (i) is not, and is not deemed to be, resident in Canada, (ii) holds all Shares as capital property, (iii) deals at arm’s length with and is not affiliated with Capstone (for the purposes of the Tax Act), (iv) does not and is not deemed to use or hold any Shares in the course of carrying on a business in Canada, or otherwise in connection with a business carried on in Canada, (v) is not an insurer that carries on business in Canada and elsewhere, (vi) is not an “authorized foreign bank” (as defined in the Tax Act), (vii) has not entered into, with respect to their Shares a “derivative forward agreement”, “synthetic disposition arrangement” or a “dividend rental arrangement” each as defined in the Tax Act, (viii) does not receive dividends on the Shares under or as part of a “dividend rental arrangement”, as defined in the Tax Act (a **Non-Canadian Holder**). Such Non-Canadian Holders should consult their own tax advisors.

This summary does not address or discuss the effect of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (**MLI**). The MLI entered into force in Canada on 1 December 2019. When applicable the MLI provides that a benefit under a particular treaty (such as a reduced withholding rate) shall not be granted under certain circumstances. The MLI applies to Canada’s tax treaties and conventions with countries which have deposited their instruments of ratification with the Depositary and which have mutually indicated that their treaties or conventions with Canada will be covered by the MLI.

This summary assumes that a purchaser of a CDI acquires a beneficial interest in, and is the beneficial owner of, the Share underlying the CDI.

This summary is based on the current provisions of the Tax Act and counsel’s understanding of the published administrative policies and assessing practices of the Canada Revenue Agency (**CRA**) published in writing by the CRA prior to the date hereof and all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (**Canadian Tax Proposals**). This summary assumes that the Canadian Tax Proposals will be enacted substantially as proposed; however, no assurances can be given that the Canadian Tax Proposals will be enacted as proposed or at all. This summary does not otherwise take into account or anticipate any changes in law or the CRA’s administrative policies or assessing practices, whether by way of legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not, and is not intended to be, nor should it be construed as, legal, business or tax advice to any particular Non-Canadian Holder and no representations with respect to the tax consequences to any Non-Canadian Holder are made. The tax consequences of acquiring, holding, and disposing of Shares will vary according to the Non-Canadian Holder’s particular circumstances. This summary is not exhaustive of all possible Canadian federal income tax considerations of acquiring Shares. Accordingly, prospective purchasers of Shares should consult their own tax advisors as to the Canadian federal tax consequences, and the tax consequences of any other jurisdiction, applicable to them having regard to their own particular circumstances.

8.7.1 Currency conversion

Generally, for the purposes of the Tax Act, all amounts calculated in a currency other than the Canadian dollar relating to the acquisition, holding and disposition of the Shares must be converted into Canadian dollars based on the exchange rates determined in accordance with the Tax Act. The amount of dividends required to be included in the income of, and capital gains or capital losses realised by, a Non-Canadian Holder may be affected by fluctuations in the Canadian / Australian dollar exchange rate.

8.7.2 Dividends

Dividends paid or credited or deemed to be paid, or credited, on the Shares to a Non-Canadian Holder will be subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividend unless such rate is reduced by the terms of any applicable income tax convention between Canada and the country in which the Non-Canadian Holder is resident. Capstone will be required to withhold the tax and remit to the Receiver General for Canada for the account of the Non-Canadian Holder.

Non-Canadian Holders should consult their own advisors to determine their entitlement to relief, if any, under an applicable income tax treaty or convention.

8.7.3 Disposing of Shares

A Non-Canadian Holder will not be subject to tax under the Tax Act in respect of any capital gain realised by such Non-Canadian Holder on a disposition, or deemed disposition, of the Shares unless such shares constitute "taxable Canadian property," as defined in the Tax Act, of the Non-Canadian Holder at the time of disposition and the holder is not entitled to an exemption under the applicable income tax treaty or convention. As long as the Shares are then listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the TSX and ASX) at the time of disposition or deemed disposition, the Shares generally will not constitute taxable Canadian property of a Non-Canadian Holder, unless:

(a) at any time during the 60-month period immediately preceding the disposition:

(i) one or any combination of (A) the Non-Canadian Holder, (B) persons not dealing at arm's length with such Non-Canadian Holder, and (C) partnerships in which the Non-Canadian Holder or a person described in (B) holds a membership interest directly or indirectly through one or more partnerships, owned 25% or more of Capstone's issued shares of any class or series; and

(ii) more than 50% of the fair market value of the common shares was derived, directly or indirectly, from one or a combination of real or immoveable property situated in Canada, "Canadian resource properties," as such term is defined in the Tax Act, "timber resource properties," as such term is defined in the Tax Act, or options in respect, interests in, or for civil law rights in, any such properties whether or not the property exists, or

(b) the Shares are otherwise deemed to be taxable Canadian property pursuant to certain circumstances prescribed in the Tax Act. If the Shares are considered taxable Canadian property to a Non-Canadian Holder, an applicable income tax treaty or convention may in certain circumstances exempt that Non-Canadian Holder from tax under the Tax Act in respect of the disposition or deemed disposition of the Shares. Non-Canadian Holders of Shares are, or may be, taxable Canadian property should consult their own tax advisors for advice having regard to their particular circumstances.

As long as the Shares are listed at the time of their disposition or deemed disposition on a "recognized stock exchange" (which currently includes the TSX and ASX), as defined in the Tax Act, a Non-Canadian Holder who disposes of Shares, as the case may be, that are "taxable Canadian property" will not be required to satisfy the obligations imposed under section 116 of the Tax Act and, as such, the purchaser of such securities will not be required to withhold any amount on the purchase price paid. An exemption from such requirements may also be available in respect of such disposition if such securities are "treaty-exempt property", as defined in the Tax Act.

Non-Canadian Holders whose Shares are or are deemed to be "taxable Canadian property" should consult their own tax advisors regarding the tax and compliance considerations that may be relevant to them.

8.7.4 Conversion of Shares and CDIs

There are no Canadian tax consequences on conversion of Shares to CDIs, or vice versa.

8.8 Australian taxation summary

The following section contains a general summary of the Australian tax treatment for CDI Holders who acquire CDIs in Capstone to hold on capital account for Australian income tax purposes. This summary does not apply to CDI Holders who hold their CDIs on revenue account for Australian income tax purposes, such as taxpayers that carry on a securities trading business. This summary also does not apply to CDI Holders who hold their CDIs as trading stock, who are exempt from Australian income tax or who are subject to the *Taxation of Financial Arrangements Rules* in Division 230 of the *Income Tax Assessment Act 1997* (Cth).

The following tax comments are general in nature only and are not intended to be a complete analysis of how applicable tax laws may apply to a particular taxpayer's circumstances. The Directors strongly urge you, as a prospective CDI Holder, to seek your own independent and personal taxation advice to ensure that your specific tax circumstances are appropriately considered before deciding whether or not to invest in Capstone and apply for CDIs.

For Australian tax purposes the owner of a CDI should be treated as being absolutely entitled to the security covered by the CDI.

This section deals only with Australian resident CDI Holders who do not hold their CDIs as part of an enterprise carried on at or through a permanent establishment in a foreign country. Australian resident CDI Holders who hold their CDIs as part of an enterprise carried on at or through a permanent establishment in a foreign country, and foreign CDI Holders more generally, should generally be treated as if they held shares in a Canadian company for Australian tax purposes and would not be subject to Australian tax unless the CDIs were held as part of an Australian permanent establishment of the foreign person.

This section does not deal with the tax consequences for CDI Holders that, individually or when aggregated with associated persons and/or associated transactions, hold or acquire an interest of 10% or more in Capstone.

8.8.1 Taxation of dividends

Dividends paid by Capstone will not be franked as Capstone is not an Australian resident for Australian income tax purposes.

Broadly, for Australian tax resident CDI Holders that are individuals, complying superannuation funds or corporate entities, any dividend amount received should be included as assessable income in the income year the dividend is paid.

Where the CDI Holder is an Australian tax resident trust or partnership, the dividend should be included when determining the net income (i.e. the income for tax purposes) of the trust or partnership.

8.8.2 Capital Gains Tax (CGT) on disposal of CDIs

For Australian tax resident CDI Holders, the disposal of CDIs in Capstone will be a CGT event. A CDI Holder will make a capital gain where the capital proceeds it receives upon the sale of the CDIs are greater than the cost base of the CDIs, or a capital loss where the capital proceeds are less than the reduced cost base of the CDIs. The capital proceeds received on the sale of CDIs should broadly be equal to the money received in respect of the disposal. The CDI's cost base is generally the amount paid to acquire the CDI plus any transaction or incidental costs. The net capital gain is included in the assessable income of the CDI Holder.

Where the CDI Holder is an individual, trust or complying superannuation fund, a CGT discount may be available to reduce the assessable capital gain arising on disposal of the CDI. This discount is only available if the CDIs are owned by the CDI Holder for at least 12 months prior to disposal. The CGT discount applicable for individuals is 50% and 33⅓% for complying superannuation funds. Any current year or carry-forward capital losses should be offset against the capital gain first, before the CGT discount is applied. The CGT discount is not available to CDI Holders that are companies.

Where the CDI Holder is a trust that has held the relevant CDIs for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust, provided those beneficiaries are not companies. CDI Holders in these circumstances should seek independent advice regarding the tax consequences of distributions to beneficiaries who may qualify for discount capital gains.

The Australian Government has announced that "managed investment trusts" (**MITs**) and "attribution managed investment trusts" (**AMITs**) will not be entitled to the CGT discount at the trust level. This change was previously scheduled to apply from 1 July 2020, but has now been delayed and will instead apply for income years commencing on or after the date that is three months from the date of Royal Assent of the enabling legislation. At the date of this Prospectus, it is not certain when or if this change will come into effect. If this change comes into effect, MITs and AMITs that derive capital gains will continue to be able to distribute those amounts as capital gains that may be subject to the CGT discount in the hands of those beneficiaries who are entitled to the CGT discount. Investors should monitor any potential changes on an ongoing basis.

To the extent that a capital loss arises on the disposal of CDIs, CDI Holders may offset such capital loss against any capital gains they derive in the same income year or in future income years. CDI Holders cannot offset their net capital losses against their ordinary income. In addition, rules relating to the recoupment of carried-forward losses must first be satisfied.

8.8.3 Goods & services tax (GST)

The acquisition, redemption or disposal of CDIs should not be subject to GST. Where an Australian resident is registered for Australian GST, it may not generally be entitled to claim full input tax credits in respect of the GST incurred on their expenses relating to the acquisition or disposal of the CDIs (for example, lawyers' and accountants' fees). CDI Holders should obtain their own advice as to the availability of input tax credits on such expenses.

8.8.4 Stamp duty

No stamp duty should be payable in any Australian State or Territory by a CDI Holder as on acquiring any CDIs pursuant to the Offer.

8.8.5 Canadian withholding tax

Dividends paid or credited or deemed to be paid, or credited, on the Shares beneficially owned by an Australian tax resident CDI Holder will be subject to Canadian withholding tax, as further particularised in Section 8.7.2.

8.8.6 TFN or ABN withholding

Tax File Number (**TFN**) or Australian Business Number (**ABN**) withholding from dividends will not apply. CDI Holders are not required to give their TFN or ABN to Capstone.

8.9 ASIC relief

8.9.1 ASIC Class Order CO14/827

Pursuant to ASIC Class Order CO14/827, ASIC has given relief for offers for the issue or sale of CDIs, where the underlying foreign securities are quoted on ASX and are held by CDN as the depositary nominee. The purpose of the relief is to remove any uncertainty about how offers of CDIs over underlying foreign securities are regulated under the Corporations Act, ensuring offers of CDIs are regulated as an offer of securities under the disclosure provisions of Chapter 6D of the Corporations Act.

Pursuant to the Class Order, Capstone has provided the information contained in Section 8.2.

8.9.2 Individual ASIC relief

Capstone intends to seek individual technical relief from ASIC to modify sections 708AA, 708A and 713 of the Corporations Act such that, for example, Capstone may issue a “cleansing notice” or a transaction-specific prospectus under the Corporations Act.

8.10 Cautionary statement in relation to Capstone’s resources and reserves reporting

8.10.1 Cautionary statement

The technical information contained in this Prospectus relating to Capstone’s mining projects has been prepared in accordance with NI 43-101 and is not reported in accordance with the JORC Code.

As a British Columbia corporation and a “reporting issuer” under Canadian securities laws, Capstone is required to provide disclosure regarding its mineral properties in accordance with NI 43-101. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. NI 43-101 is broadly equivalent to the reporting standard ordinarily applicable to Australian publicly listed companies, being the JORC Code. It is not expected that estimates prepared in accordance with NI 43-101 would be materially different to estimates prepared in accordance with the JORC Code.

In accordance with NI 43-101, Capstone uses the terms “Mineral Reserves” and “Mineral Resources” as they are defined in accordance with the CIM Definition Standards adopted by the Canadian Institute of Mining and Petroleum. In particular, the terms “mineral reserve”, “proven mineral reserve”, “probable mineral reserve”, “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” used in this Prospectus, are Canadian mining terms defined in accordance with CIM Definition Standards.

These definitions may differ from the definitions contemplated in the disclosure requirements under the JORC Code and the ASX Listing Rules. Accordingly, information contained in this Prospectus may not be directly comparable to similar information made by other Australian publicly listed companies reporting pursuant to the ASX and JORC Code disclosure requirements.

Investors should not assume that any part or all of the mineralisation in “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources” will ever be converted into a higher category of mineral resources or into mineral reserves. Mineralisation described using these terms has a greater amount of uncertainty as to its existence and feasibility than mineralisation that has been characterised as reserves. Accordingly, investors are cautioned not to assume that any “measured mineral resources", "indicated mineral resources", or "inferred mineral resources" that Capstone reports are or will be economically or legally mineable. Further, "inferred resources" have a greater amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, investors are also cautioned not to assume that all or any part of the inferred resources exist. In accordance with Canadian rules, estimates of "inferred mineral resources" cannot form the basis of feasibility or other economic studies, except in limited circumstances where permitted under NI 43-101.

Capstone is exempt from complying with Chapter 5 of the ASX Listing Rules and will instead continue to comply with NI 43-101 in respect of resources and reserves reporting. As such, Capstone has no intention to present the technical information in accordance with the JORC Code, or otherwise to verify it for this purpose.

8.10.2 Comparison of key terms used in JORC Code and NI 43-101

Whilst there are some differences in their terminology between the JORC Code and NI 43-101 and the CIM Standards, they share (and require) common themes:

(a) there must be confidence (reliability) in the data used to define the mineral deposit;

(b) the continuity of mineralisation between observation points (sampling points or drillholes) must be established to a sufficiently reliable standard;

(c) the quality of sampling data must be of a sufficiently reliable standard; and

(d) most importantly, the potential development of a deposit with either "Proven" or "Probable" ore reserves must be economic to develop and produce, as determined by engineering and mine design studies.

The table below sets out excerpts of relevant key terms used in the JORC Code and the NI 43-101 and CIM Definition Standards. This table sets out certain requirements and definitions included in the JORC Code and NI 43-101, and is not intended to be a fulsome summary of the requirements under each of the JORC Code and NI 43-101.

Key term / concept	JORC Code (2012 edition)	NI 43-101 & CIM Definition Standards
Mineral Resources		
Definition of "Inferred Mineral Resource"	An Inferred Mineral Resource is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be	An Inferred Mineral Resource is that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

Key term / concept	JORC Code (2012 edition)	NI 43-101 & CIM Definition Standards
	upgraded to Indicated Mineral Resources with continued exploration.	
Definition of "Indicated Mineral Resource"	An Indicated Mineral Resource is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve.	An Indicated Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve.
Definition of "Measured Mineral Resource"	A Measured Mineral Resource is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve.	A Measured Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve.
Ore Reserves / Mineral Reserves		
Definition of "Ore Reserve" (under the JORC Code) / "Mineral Reserve" (under NI 43-101)	An Ore Reserve is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is	A Mineral Reserve is the economically mineable part of a measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the

Key term / concept	JORC Code (2012 edition)	NI 43-101 & CIM Definition Standards
	defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported.	material is mined or extracted and is defined by studies at prefeasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Mineral Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. The public disclosure of a Mineral Reserve must be demonstrated by a Pre-Feasibility Study or Feasibility Study.
Definition of a "Probable Ore Reserve" / "Probable Mineral Reserve"	A Probable Ore Reserve is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve.	A Probable Mineral Reserve is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve.
Definition of "Proven Ore Reserve" / "Proven Mineral Reserve"	A Proven Mineral Reserve is the economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors.	A Proven Mineral Reserve is the economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.
Other definitions / concepts		
Competent person / Qualified person	A Competent Person is a minerals industry professional who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a "Recognised Professional Organisation" (RPO), as included in a list available on the JORC and ASX websites. These organisations have enforceable disciplinary processes including the powers to suspend or expel a member. A Competent Person must have a minimum of five years relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking. If the Competent Person is preparing documentation on Exploration Results, the relevant experience must be in exploration.	A Qualified Person means an individual who (a) is an engineer or geoscientist with a university degree, or equivalent accreditation, in an area of geoscience, or engineering, relating to mineral exploration or mining; (b) has at least five years of experience in mineral exploration, mine development or operation, or mineral project assessment, or any combination of these, that is relevant to his or her professional degree or area of practice; (c) has experience relevant to the subject matter of the mineral project and the technical report; (d) is in good standing with a professional association; and (e) in the case of a professional association in a foreign jurisdiction, has a membership designation that both

Key term / concept	JORC Code (2012 edition)	NI 43-101 & CIM Definition Standards
	If the Competent Person is estimating, or supervising the estimation of Mineral Resources, the relevant experience must be in the estimation, assessment and evaluation of Mineral Resources. If the Competent Person is estimating, or supervising the estimation of Ore Reserves, the relevant experience must be in the estimation, assessment, evaluation and economic extraction of Ore Reserves.	requires attainment of a position of responsibility in their profession that requires the exercise of independent judgment, and requires a favourable confidential peer evaluation of the individual's character, professional judgement, experience, and ethical fitness a recommendation for membership by at least two peers, and demonstrated prominence or expertise in the field of mineral exploration or mining.

8.11 Disclosure of interests

Capstone has engaged the following professionals in relation to the Offer:

(a) Deloitte LLP has audited the financial statements of Capstone included in Annexure A and Annexure B. During the two years preceding the date of this Prospectus, Deloitte LLP has incurred fees of approximately C$4.1 million with respect to work undertaken for Capstone.

(b) Computershare Investor Services Inc operates as Capstone's Canadian Share Registry and has been paid for these services on standard industry terms and conditions. During the two years preceding the date of this Prospectus, Computershare Investor Services Inc has incurred fees of approximately C$33,000 with respect to work undertaken for Capstone.

(c) Computershare Investor Services Pty Limited has been appointed as Capstone's Australian Share Registry and will be paid for these services on standard industry terms and conditions. Computershare Investor Services Pty Limited has yet to invoice for any fees during the two years preceding the date of this Prospectus.

8.12 Litigation and claims

So far as the Directors are aware there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Capstone is directly or indirectly concerned or which is likely to have a material adverse effect on the business or financial position of Capstone.

8.13 Continuous and periodic disclosure obligations

8.13.1 Continuous disclosure

Under Canadian securities laws, if a material change occurs in the affairs of Capstone, Capstone must immediately issue and file a news release disclosing the nature and substance of the change and, as soon as practicable, but in any event within 10 days of the change, file a material change report with respect to such material change on SEDAR+. The material change report must be authorised by an executive officer of Capstone and disclose the nature and substance of the change. A material change is defined under applicable Canadian securities laws as a change in the business, operations, or capital of an issuer that would reasonably be expected to have a significant effect on the market price of value of any of the securities of the issuer, or a decision to implement such a change made by the board of directors or by senior management of the issuer who believe that confirmation of the decision by the board is probable.

Capstone is also required to make immediate disclosure of all “material information” via news release. The term “material information” is defined as any information relating to the business and affairs of an issuer that results in or would reasonably be expected to result in a significant change in the market price or value of any of the issuer’s listed securities, and includes both material changes and material facts. A “material fact” is defined under applicable Canadian securities laws in relation to securities issued or proposed to be issued as a fact that would reasonably be expected to have a significant effect on the market price or value of the securities of issuer.

Under the ASX Listing Rules, Capstone is required to provide ASX all information it provides TSX (including via news release) that is, or is to be, made public.

8.13.2 Periodic disclosure

Under applicable Canadian securities laws, Capstone is required to prepare and file, among other things:

(a) unaudited interim financial statements and an interim MD&A on a quarterly basis and within 45 days from the end of the first, second and third quarter;

(b) audited annual financial statements and an annual MD&A, within 90 days from the end of the financial year; and

(c) an AIF on an annual basis within 90 days from the end of the financial year.

An MD&A is management’s balanced narrative explanation of Capstone’s financial condition and future prospects.

The AIF is intended to provide material information about Capstone and its business operations and prospectus, risks and other external factors that impact Capstone specifically, in the context of its historical and possible future development. The AIF describes Capstone, its operations, prospectus, risks and other external factors that may affect Capstone specifically.

8.13.3 Recent disclosure

Capstone has lodged its most recent financial statements (relating to the financial year ended on 31 December 2023) and other documents with ASIC under section 601CK of the Corporations Act. Since that lodgement and until the date of lodgement of this Prospectus with ASIC, no documents have been filed with ASIC by or concerning Capstone.

8.13.4 Information excluded from continuous disclosure notices

There is no information which has been excluded from disclosure under the continuous disclosure obligations contained in Sec 408 of the TSX Company Manual in accordance with exceptions in the TSX Company Manual as in force on 25 October 2022.

8.14 Related party transactions

At the Prospectus Date, no material transactions with related parties and Directors exist that the Directors are aware of, other than those disclosed in this Prospectus (including in the audited financial statements for 2023 at Annexure A).

8.15 Expenses of the Offer

The total expenses of the Offer payable by Capstone are estimated as follows:

	C$ / A$
Legal fees	C$295,000 / A$335,000
ASIC lodgement fee	C$2,821 / A$3,206
Auditor fees	C$50,000 / A$56,780
Other miscellaneous fees	C$6,000 / A$6,814
TOTAL	**C$353,821 / A$401,799**

8.16 Consents to be named and disclaimers of responsibility

Each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report is included in this Prospectus with its consent as specified below.

Written consents to the issue of the Prospectus have been given and, at the date of this Prospectus, had not been withdrawn by the following Consenting Parties:

(a) Clay Craig, Ronald Turner, Carlos Guzmán, David Rennie, Garth Kirkman, Antonio Luraschi and Klaus Triebel have each given their written consent to being named as a Qualified Person and as having supervised and approved the inclusion of the technical and scientific information that has been attributed to each of them (respectively) in this Prospectus, in the form and context in which it is included.

(b) Deloitte LLP has given its written consent to being named as the auditor to Capstone, the inclusion of its audit report on the Historical Financial Information contained in Annexure A and Annexure B, and the information contained in Section 3 in relation to Deloitte LLP's audit of the Historical Financial Information, in the form and context in which that information is included.

(c) Computershare Investor Services Pty Limited and Computershare Investor Services Inc have given their written consent to being named as Capstone's Australian Registry and Canadian Registry (respectively) in this Prospectus in the form and context in which the information is included.

8.17 Electronic Prospectus

Pursuant to Regulatory Guide 107, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic Prospectus on the basis of a paper Prospectus lodged with ASIC and the issue of Shares in response to an electronic application form, subject to compliance with certain provisions.

If you have received this Prospectus as an electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email Capstone and Capstone will send to you, for free, either a hard copy or a further electronic copy of this Prospectus or both.

Capstone reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application Monies received will be dealt with in accordance with section 722 of the Corporations Act.

8.18 Documents available for inspection

Copies of this Prospectus, the Articles and the consents referred to in Section 8.16 are available for inspection during normal business hours at the registered office of Capstone in Australia.

8.19 Authorisation

The Prospectus is issued by Capstone and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Signed for and on behalf of Capstone Copper Corp.

Darren Pylot
Chair
Capstone Copper Corp.

Dated: 6 March 2024

9 GLOSSARY

9.1 Units of measurement and technical terms

Units of measurement

\$/dmt means dollar per dry metric tonne.

\$/lb means dollar per pound.

dmt means dry metric tonnes.

g/t means grams per tonne.

kt means kilotonnes.

ktpa means kilotonnes per annum.

Moz means million ounces.

Mt means million tonnes.

Mtpa means megatonnes per annum.

MW means megawatts.

tpd means tonnes per day.

Technical terms

Au means gold.

C1 Cash Costs means the costs of mining, milling and concentrating, on-site administration and general expenses, metal concentrate treatment and refining charges and freight and marketing costs less the net value of the by-product credits.

Cu-eq means copper equivalent contained metal.

Cu means copper.

Fe means iron.

Icu means insoluble copper grade.

LOM means life of mine.

LOMP means life of mine plan.

MASL means meters above seal level.

MCP means mine closure plan.

NSR means net smelter revenue.

RC means reverse circulation rotary.

ROM means run of mine.

Scu means soluble copper grade.

SX-EW means solvent extraction and electrowinning.

Tcu means total copper.

9.2 Defined terms in the Prospectus

A$ means Australian dollars.

AEDT means Australian Eastern Daylight Time.

Affiliate means, with respect to a Person (first Person):

(a) a Person that is an "affiliate" of the first Person within the meaning ascribed to that term in the BCBCA; or

(b) any other Person that is controlled by the same Person as the first Person, and for the purpose of this definition, a Person (first Person) is considered to control another Person if the first Person holds a sufficient number of the voting rights attached to all outstanding voting securities of such other Person to affect materially the control of such other Person.

AIF means an Annual Information Form prepared pursuant to Part 6 of National Instrument 51-101 – *Continuous Disclosure Obligations* dated 29 March 2023, for the year ended December 2022.

Allotment Date means the date, as determined by the Directors, on which the CDIs offered under this Prospectus are allotted, which is anticipated to be the date identified in the Timetable.

Applicant means a person who submits an Application Form.

Application means an application for CDIs made pursuant to an Application Form.

Application Form means the application form attached to or accompanying this Prospectus.

Application Monies means the amount of money accompanying an Application Form submitted by an Applicant.

Articles means the Articles of Association of Capstone.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, as the case requires, the Australian Securities Exchange (being the financial market operated by it).

ASX Listing Rules or **Listing Rules** means the official listing rules of ASX.

ASX Settlement Rules means ASX Settlement Operating Rules of ASX Settlement Pty Ltd (ACN 008 504 532).

Australian Registry means Computershare Investor Services Pty Limited (ACN 078 279 277) or any other registry that Capstone appoints to maintain the CDI register of Capstone in Australia.

BCBCA means the Business Corporations Act (British Columbia).

Board means the board of directors of Capstone.

Bought Deal Capital Raising has the meaning given in Section 3.5.

C$ means Canadian dollars.

Canadian Securities Laws means, collectively, all applicable securities laws of each of the provinces and territories of Canada and the respective rules and regulations under such laws together with applicable published policy statements, blanket orders, instruments (including National Instruments and Multilateral Instruments) and notices of the applicable Canadian securities commissions or other Canadian securities regulatory authority, and all discretionary orders or rulings, if any, of the applicable Canadian securities commissions or other Canadian securities regulatory authority made in connection with the transactions contemplated by this Prospectus.

Canadian Registry means Computershare Investor Services Inc. or any other registry that Capstone appoints to maintain the share register of Capstone in Canada.

Canadian Trading Day means a day when trading occurs through the facilities of the TSX.

Capstone or **Company** means Capstone Copper Corp. (ARBN 673 751 490), a foreign company registered in its original jurisdiction of British Columbia, Canada with incorporation number C1354412).

Capstone Insiders has the meaning given in Section 8.6.5.

Capstone's Website means www.capstonecopper.com.

CDI means CHESS Depositary Interests issued by CDN, where each CDI represents a beneficial interest in one Share, as detailed in Section 6.6.

CDI Holder means a holder of a CDI.

CDN means CHESS Depositary Nominees Pty Ltd (ABN 75 071 346 506) (AFSL 254514), in its capacity as depositary of the CDIs under the ASX Settlement Rules.

CHESS means the Clearing House Electronic Subregister System.

CIM means the Canadian Institute of Mining and Petroleum.

Closing Date means the date the Offer closes.

CLP or CH$ means Chilean Peso.

Consenting Party means the parties described in Section 8.16.

Corporations Act means the *Corporations Act 2001* (Cth).

Cozamin Mine means the Cozamin underground copper-silver-zinc-lead mine (100% Capstone) located in Zacatecas, Mexico.

CSA means the Canadian Securities Administrators.

Director means a director of Capstone from time to time.

DSUs mean deferred share units issued to directors under the deferred share units plan as described in Section 8.5.6.

EIS means environmental impact statement.

Foreign Exempt Listing means Capstone's admission to the Official List of the ASX as a "Foreign Exempt Listing" pursuant to ASX Listing Rule 1.11.

GNS Committee means the Governance, Nominating & Sustainability Committee as described in Section 5.6.5(b).

Group means Capstone and its wholly owned subsidiaries.

GST means goods and services tax or similar tax imposed in Australia.

HR&C Committee means the Human Resources & Compensation Committee as described in Section 5.6.5(c).

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012, as updated from time to time.

Key Management Personnel means the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Company Secretary of Capstone.

Latest Date means 5.00pm (AEDT) on 5 March 2023.

LME means the London Metals Exchange.

Mantos Blancos Mine or **MB** means Mantos Blancos copper-silver mine (100% Capstone) located in the Antofagasta region, Chile.

Mantoverde Mine or **MV** means Mantoverde copper-gold mine (70% Capstone), located in the Atacama region, Chile.

MBCDP means the Mantos Blancos concentrator debottlenecking development project.

MD&A means Management Discussion and Analysis.

MVDP means the Mantoverde Development Project.

MVDP Optimized has the meaning given in Section 2.5.5(b).

MI 61-101 means the Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions.

Mineral Reserve has the meaning ascribed by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council, as amended.[5]

Mineral Resource has the meaning ascribed by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council, as amended.[6]

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[5] Statements of Mineral Reserves prepared in accordance with the CIM Definition Standards applicable under NI 43-101 would not be materially different if prepared in accordance with the JORC Code (as Ore Reserves). For further information, refer to Section 8.10.

[6] Statements of Mineral Resources prepared in accordance with the CIM Definition Standards applicable under NI 43-101 would not be materially different if prepared in accordance with the JORC Code. For further information, refer to Section 8.10.

Mining Royalty means the Mining Royalty passed into law by the Chilean legislature In August 2023, and taking effect on 1 January 2024, imposing a royalty comprising a 1% ad-valorem component on net copper revenues and a mine operating margin component ranging from 8% to 26%.

MLI means the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.

NI 43-101 means National Instrument 43-101 *Standards of Disclosure for Mineral Projects* of the CSA.

NI 52-110 means National Instrument 52-110 *Audit Committees* of the CSA.

NI 58-101 means National Instrument 58-101 *Disclosure of Corporate Governance Practices* of the CSA.

Non-Canadian Holder has the meaning given in Section 8.7.

Notice Date has the meaning given in Section 8.1.7(a).

Offer means the offer by Capstone, pursuant to this Prospectus, of 10 CDIs at a price of A$7.30 per CDI to raise up to A$73.00 (before associated costs).

Offer Period means the period from the opening of the Offer until the closing date of 7 March 2024.

Offer Price means A$7.30 per CDI.

Official List means the official list of entities that ASX has admitted to and not removed from listing.

Option means an option to subscribe for a Share.

PEA means a preliminary economic assessment.

Pinto Valley Mine or **PVM** means the Pinto Valley open-pit copper-molybdenum mine (100% Capstone) located in Arizona, USA.

Projects means the projects identified in Section 2.4.1.

Prospectus means this document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document.

Prospectus Date means the date on which a copy of this Prospectus was lodged with ASIC, being 6 March 2024.

PSUs mean performance share units issued to executives employees and consultants under the Treasury Share Plan or Share Unit Plan as described in Sections 8.5.

Qualified Person has the meaning ascribed to such term in NI 43-101 – Standards of Disclosure for Mineral Projects.

RSUs mean restricted share units issued to executives, employees and consultants under the Treasury Share Plan or Share Unit Plan as described in Section 8.5.

Santo Domingo Project or **SD** means the fully permitted Santo Domingo copper-iron-gold-cobalt project (100% Capstone), located approximately 30 kilometres northeast of Mantoverde in the Atacama region, Chile.

Section means a section of this Prospectus.

SEDAR+ means the System for Electronic Document Analysis and Review website maintained by the CSA which can be found at www.sedarplus.ca.

Share means an ordinary fully paid voting common share in the capital of Capstone, or a CDI in respect of a share, as the context requires.

Shareholder means the registered holder of a Share or CDI (as applicable).

Shareholder Proposal means a document setting out a matter that the submitter proposes to have considered at the next annual general meeting of Capstone.

Tax Act means the *Income Tax Act (Canada)* and the Income Tax Regulations.

Technical Reports means the following reports prepared in accordance with NI 43-101:

(a) "NI 43-101 Technical Report on the Pinto Valley Mine, Arizona, USA " dated 11 June 2021 with an effective date of 31 March 2021 (**Pinto Valley Technical Report**);

(b) "NI 43-101 Technical Report on the Cozamin Mine, Zacatecas, Mexico" filed 2 May 2023, with an effective date of 1 January 2023 (**Cozamin Technical Report**);

(c) "Mantos Blancos Mine NI 43-101 Technical Report Antofagasta / Región de Antofagasta, Chile" filed 5 January 2022 with an effective date of 29 November 2021 (**Mantos Blanco Technical Report**);

(d) "Mantoverde Mine and Mantoverde Development Project NI 43-101 Technical Report Chañaral / Región de Atacama, Chile" filed 5 January 2022 with an effective date of 29 November 2021 (**Mantoverde Technical Report**); and

(e) "Santo Domingo Project, Region III, Chile, NI 43-101 Technical Report" with an effective date of 19 February 2020 and a report date of 24 March 2020 (**Santo Domingo Technical Report**),

each of which are available on Capstone's Website and on Capstone's profile on SEDAR.

TOP Committee means the Technical & Operational Performance Committee as described in Section 5.6.5(d).

TSF means a tailings storage facility.

TSX means the Toronto Stock Exchange.

TSX Rules means the rules and policies of the TSX applicable to Capstone.

US Securities Act means the *United States Securities Act* of 1933, as amended.

US$ or **US Dollar** means United States dollars.

Wood means Amec Foster Wheeler Ingeneria y Construcción Ltda (doing business as Wood).

CORPORATE DIRECTORY

Incorporation

Country of Incorporation: Canada

Registered Company number:
C1354412

ARBN: 673 751 490

Directors

Darren Pylot
Director and Chair

John MacKenzie
Director and Chief Executive Officer

Peter Meredith
Lead Independent Director

Alison Baker
Director

Robert J. Gallagher
Director

Anne Giardini, KC
Director

Patricia Palacios
Director

Gordon Bell
Director

Company Secretary

Wendy A. King

Securities exchange codes

TSX code: CS
ASX code: CSC

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Registered offices

Canada

Suite 2100 - 510
West Georgia Street,
Vancouver, BC, V6B 0M3
Website: www.capstonecopper.com
Email: info@capstonecopper.com

Australia

Level 61, Governor Philip Tower
1 Farrer Place
Sydney NSW 2000

Registry

Canada – Share Register

Computershare Investor Services Inc.
3rd Floor, 510 Burrard Street
Vancouver, BC, V6C 3B9

Australia – CDI Register

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

Auditor

Deloitte LLP
410 West Georgia Street
Vancouver, BC, V6B 0S7

Annexure A Consolidated Financial Statements of Capstone Copper Corp. 31 December 2023

CAPSTONE COPPER

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

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

Management's Report

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

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

(Signed) John MacKenzie	*(Signed) Raman Randhawa*
Chief Executive Officer & Director	*Senior Vice President & Chief Financial Officer*

Vancouver, British Columbia, Canada
February 21, 2024

Independent Auditor’s Report

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

Opinion
We have audited the consolidated financial statements of Capstone Copper Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of (loss) income, comprehensive (loss) income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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

Key Audit Matter
A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Chilean Mining Royalty - Refer to Note 16 to the financial statements

Key Audit Matter Description

During the third quarter, Chile passed the new Mining Royalty legislation (“legislation”) into law. The adoption of this legislation required complex analysis and resulted in the Company recording a deferred tax liability. The Company’s mining deferred tax liability is determined based on forecasted future cashflows (production, commodity prices and operating margins).

Management was required to make judgments to determine the accounting treatment of implementing the legislation and its relevant disclosures and as such, auditing that determination required complex analysis and consideration. While there are many estimates and assumptions used to determine the mining deferred tax liability, the estimates and assumptions with the highest degree of subjectivity and judgment are future commodity prices and operating margins. Auditing these required a high degree of auditor judgement and an increased extent of audit effort, including the involvement of fair value and tax specialists.

How the Key Audit Matter Was Addressed in the Audit

- Evaluated management’s assessment of the implications of implementing the legislation to assess whether the related accounting treatment and disclosures are in accordance with the relevant guidance;
- With the assistance of tax specialists, evaluated management’s interpretation and the methodology employed to calculate the mining deferred tax liability arising from the new legislation;
- With the assistance of fair value specialists, evaluated the reasonableness of the forecasts of future commodity prices by comparing management’s forecasts to third-party forecasts;
- Evaluated the reasonableness of forecasted operating margins by comparing the forecasts to:

- Historical operating margins;
- External sources and industry peers; and
- Whether these assumptions were consistent with evidence obtained in other areas of the audit.

Other Information

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

- Management's Discussion and Analysis

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

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

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
February 21, 2024

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

	As at December 31,	
ASSETS	**2023**	2022
Current		
Cash and cash equivalents	**$ 126,016**	$ 170,307
Short-term investments *(Note 6)*	**804**	1,553
Receivables *(Note 7)*	**147,318**	191,887
Inventories *(Note 8)*	**149,613**	140,797
Derivative assets *(Note 6)*	**18,984**	19,981
Other assets *(Note 10)*	**44,122**	44,966
	486,857	569,491
Mineral properties, plant and equipment *(Note 9)*	**5,286,257**	4,706,311
Derivative assets *(Note 6)*	**16,565**	28,582
Deferred income tax assets *(Note 16)*	**53,401**	38,704
Other assets *(Note 10)*	**30,835**	37,820
Total assets	**$ 5,873,915**	$ 5,380,908
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 272,277**	$ 284,913
Current portion of long-term debt *(Note 14)*	**28,398**	—
Current portion of due to related party *(Note 12)*	**3,243**	—
Lease liabilities *(Note 13)*	**33,516**	28,928
Derivative liabilities *(Note 6)*	**16,788**	44,423
Income taxes payable *(Note 16)*	**6,186**	10,946
Other liabilities *(Note 11)*	**71,412**	39,322
	431,820	408,532
Long-term debt *(Note 14)*	**970,258**	599,075
Due to related party *(Note 12)*	**192,628**	60,000
Deferred revenue *(Note 15)*	**147,619**	160,462
Lease liabilities *(Note 13)*	**102,983**	74,969
Derivative liabilities *(Note 6)*	**—**	10,066
Provisions *(Note 17)*	**268,132**	239,635
Deferred income tax liabilities *(Note 16)*	**630,225**	597,585
Other liabilities *(Note 11)*	**64,128**	50,728
Total liabilities	**$ 2,807,793**	$ 2,201,052
EQUITY		
Share capital	**$ 2,451,572**	$ 2,447,377
Other reserves	**40,129**	41,328
Retained earnings	**168,886**	262,512
Total equity attributable to equity holders of the Company	**2,660,587**	2,751,217
Non-controlling interest *(Note 12)*	**405,535**	428,639
Total equity	**3,066,122**	3,179,856
Total liabilities and equity	**$ 5,873,915**	$ 5,380,908

See accompanying notes to these consolidated financial statements.

Capstone Copper Corp.
Consolidated Statements of (Loss) Income
Years Ended December 31, 2023 and 2022

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

	2023	2022
Revenue *(Note 19)*	**$ 1,345,511**	$ 1,296,024
Operating costs		
Production costs	**(1,014,002)**	(903,060)
Royalties	**(11,225)**	(10,177)
Depletion and amortization	**(237,269)**	(174,991)
Earnings from mining operations	**83,015**	207,796
General and administrative expenses	**(26,119)**	(26,244)
Exploration expenses *(Note 9)*	**(4,961)**	(9,578)
Share-based compensation expense *(Note 18)*	**(19,005)**	(31,756)
Income from operations	**32,930**	140,218
Other (expense) income		
Foreign exchange (loss) gain	**(5,066)**	2,066
Realized and unrealized gains on derivative instruments *(Note 6)*	**3,075**	111,087
(Loss) gain on extinguishment of debt *(Note 14)*	**(2,721)**	8,035
Minto obligation *(Note 17)*	**(51,923)**	—
Transaction costs *(Note 5)*	**—**	(19,433)
Other expense *(Note 25)*	**(31,202)**	(20,442)
Interest on long-term debt and surety bonds	**(14,633)**	(5,621)
Accretion expense *(Note 26)*	**(21,463)**	(22,189)
(Loss) income before income taxes	**(91,003)**	193,721
Income tax expense *(Note 16)*	**(33,723)**	(57,582)
Net (loss) income	**$ (124,726)**	$ 136,139
Net (loss) income attributable to:		
Shareholders of Capstone Copper Corp.	**$ (101,672)**	$ 122,199
Non-controlling interest *(Note 12)*	**(23,054)**	13,940
	$ (124,726)	$ 136,139
Net (loss) earnings per share attributable to shareholders of Capstone Copper Corp.		
(Loss) earnings per share - basic *(Note 20)*	**$ (0.15)**	$ 0.20
Weighted average number of shares - basic *(Note 20)*	**693,520,515**	625,434,676
(Loss) earnings per share - diluted *(Note 20)*	**$ (0.15)**	$ 0.19
Weighted average number of shares - diluted *(Note 20)*	**693,520,515**	630,179,251

See accompanying notes to these consolidated financial statements.

Capstone Copper Corp.
Consolidated Statements of Comprehensive (Loss) Income
Years Ended December 31, 2023 and 2022
expressed in thousands of US dollars

	2023	2022
Net (loss) income	**$ (124,726)**	$ 136,139
Other comprehensive loss ("OCI")		
Items that will not be reclassified subsequently to profit or loss		
Change in fair value of marketable securities, net of tax of $nil (2022 - $ 262)	**(844)**	(4,356)
Remeasurement for retirement benefit plans, net of tax of $(1,307) (2022 - $65)	**(4,690)**	1,104
	(5,534)	(3,252)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustment	**—**	(550)
	—	(550)
Total other comprehensive loss for the year	**(5,534)**	(3,802)
Total comprehensive (loss) income	**$ (130,260)**	$ 132,337

Total comprehensive (loss) income attributable to:		
Shareholders of Capstone Copper Corp.	**$ (107,156)**	$ 118,397
Non-controlling interest *(Note 12)*	**(23,104)**	13,940
	$ (130,260)	$ 132,337

See accompanying notes to these consolidated financial statements.

Capstone Copper Corp.
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022
expressed in thousands of US dollars

	2023	2022
Cash provided by (used in):		
Operating activities		
Net (loss) income	$ (124,726)	$ 136,139
Adjustments for:		
Depletion and amortization *(Note 22)*	236,884	176,173
Income tax expense *(Note 16)*	33,723	57,582
Inventory write-down *(Note 8)*	1,863	2,809
Share-based compensation expense *(Note 18)*	19,005	31,756
Net finance costs	36,096	27,810
Unrealized loss (gain) on foreign exchange	4,937	(21,821)
Unrealized gain on derivatives	(17,110)	(133,170)
Gold stream obligation	7,100	—
Loss (gain) on extinguishment of debt *(Note 14)*	2,721	(8,035)
Gain on disposal of assets and other	—	(226)
Amortization of deferred revenue and variable consideration adjustments *(Note 15)*	(19,033)	(12,885)
Minto obligation and bad debt provision	56,923	—
Income taxes paid	(26,233)	(70,534)
Income taxes received	4,529	592
Payments on Minto obligation *(Note 17)*	(10,407)	—
Other payments	(1,468)	(1,384)
Operating cash flow before working capital and other non-cash changes	204,804	184,806
Changes in non-cash working capital *(Note 22)*	(90,635)	(93,809)
Other non-cash changes *(Note 22)*	2,648	(3,575)
Operating cash flow	116,817	87,422
Investing activities		
Mineral properties, plant and equipment additions	(616,729)	(559,752)
Finance costs capitalized on construction in progress	(61,540)	(23,401)
Cash acquired on business combination with Mantos *(Note 5)*	—	219,211
Proceeds from short-term investments	2,825	706
Proceeds on disposal of assets and other	2,165	(7,505)
Investing cash flow	(673,279)	(370,741)
Financing activities		
Proceeds from borrowings *(Note 14)*	544,375	482,242
Repayment of borrowings *(Note 14)*	(120,375)	(241,992)
Proceeds from related party *(Note 12)*	129,900	60,000
Payment on purchase of non-controlling interest *(Note 11)*	—	(34,731)
Repayment of lease obligations	(42,716)	(29,473)
Proceeds from the exercise of options	2,722	3,112
Net receipts (payments) for settlement of derivatives	3,216	(39,426)
Interest paid on long-term debt and surety bonds	(6,591)	(7,594)
Other	(2,061)	—
Financing cash flow	508,470	192,138
Effect of exchange rate changes on cash and cash equivalents	3,701	(606)
Decrease in cash and cash equivalents	(44,291)	(91,787)
Cash and cash equivalents - beginning of year	170,307	262,094
Cash and cash equivalents - end of year	$ 126,016	$ 170,307
Supplemental cash flow information ***(Note 22)***		

See accompanying notes to these consolidated financial statements.

Capstone Copper Corp.

Consolidated Statements of Changes in Equity

Years Ended December 31, 2023 and 2022

expressed in thousands of US dollars, except share amounts

	Attributable to equity holders of the Company									
	Number of shares	**Share capital**	**Reserve for equity settled share-based transactions**	**Revaluation reserve**	**Foreign currency translation reserve**	**Share purchase reserve**	**Retained earnings**	**Total attributable to equity holders**	**Non-controlling interest**	**Total equity**
January 1, 2023	**691,639,972**	**$ 2,447,377**	**$ 56,751**	**$ 4,178**	**$ (17,101)**	**$ (2,500)**	**$ 262,512**	**$ 2,751,217**	**$ 428,639**	**$ 3,179,856**
Shares issued on exercise of options ***(Note 18)***	**4,371,345**	**3,991**	**(1,267)**	**—**	**—**	**—**	**—**	**2,724**	**—**	**2,724**
Shares issued under TSUP ***(Note 18)***	**61,836**	**204**	**(204)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Share-based compensation ***(Note 18)***	**—**	**—**	**3,961**	**—**	**—**	**—**	**—**	**3,961**	**—**	**3,961**
Settlement of share units	**—**	**—**	**—**	**—**	**—**	**1,795**	**8,046**	**9,841**	**—**	**9,841**
Change in fair value of marketable securities	**—**	**—**	**—**	**(844)**	**—**	**—**	**—**	**(844)**	**—**	**(844)**
Remeasurements for retirement benefit plans	**—**	**—**	**—**	**(4,640)**	**—**	**—**	**—**	**(4,640)**	**(50)**	**(4,690)**
Net loss	**—**	**—**	**—**	**—**	**—**	**—**	**(101,672)**	**(101,672)**	**(23,054)**	**(124,726)**
December 31, 2023	**696,073,153**	**$ 2,451,572**	**$ 59,241**	**$ (1,306)**	**$ (17,101)**	**$ (705)**	**$ 168,886**	**$ 2,660,587**	**$ 405,535**	**$ 3,066,122**

	Number of shares	Share capital	Reserve for equity settled share-based transactions	Revaluation reserve	Foreign currency translation reserve	Share purchase reserve	Retained earnings	Total attributable to equity holders	Non-controlling interest	Total equity
Balance - January 1, 2022	413,482,355	849,409	53,264	7,429	(16,551)	(5,134)	128,010	1,016,427	—	1,016,427
Shares issued on exercise of options	4,130,553	4,637	(1,553)	—	—	—	—	3,084	—	3,084
Share-based compensation	—	—	5,040	—	—	—	—	5,040	—	5,040
Settlement of share units	—	—	—	—	—	2,634	12,303	14,937	—	14,937
Shares issued as compensation	138,523	652	—	—	—	—	—	652	—	652
Acquisition of Mantos Copper (Note 5)	273,888,541	1,592,679	—	—	—	—	—	1,592,679	414,699	2,007,378
Change in fair value of marketable securities	—	—	—	(4,355)	—	—	—	(4,355)	—	(4,355)
Remeasurements for retirement benefit plans	—	—	—	1,104	—	—	—	1,104	—	1,104
Net income	—	—	—	—	—	—	122,199	122,199	13,940	136,139
Foreign currency translation	—	—	—	—	(550)	—	—	(550)	—	(550)
December 31, 2022	691,639,972	$ 2,447,377	$ 56,751	$ 4,178	$ (17,101)	$ (2,500)	$ 262,512	$ 2,751,217	$ 428,639	$ 3,179,856

See accompanying notes to these consolidated financial statements.

1. Nature of Operations

The accompanying consolidated financial statements have been prepared as at December 31, 2023, after giving effect to the business combination between Capstone Mining Corp. (“Capstone Mining”) and Mantos Copper (Bermuda) Ltd. (“Mantos”), which was completed on March 23, 2022 (the “Transaction”) (Note 5). Mantos was incorporated on August 15, 2015 and migrated to British Columbia, Canada on March 22, 2022, as part of the Transaction. After the Transaction, the combined entity changed its name to Capstone Copper Corp. (the "Company" or "Capstone Copper"). The Company is listed on the Toronto Stock Exchange, and, effective February 2, 2024, the Company was admitted to the official list of the Australian Securities Exchange (“ASX”) as an ASX Foreign Exempt Listing.

Capstone Copper Corp., through a wholly owned Chilean subsidiary, Mantos Copper S.A., owns and operates the Mantos Blancos mine, located forty-five kilometers northeast of Antofagasta, Chile and the 70%-owned Mantoverde mine, through a Chilean subsidiary, Mantoverde S.A., located fifty kilometers southeast of Chanaral, Chile.

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

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

These consolidated financial statements were approved by the Board of Directors and authorized for issuance on February 21, 2024.

2. Basis of preparation and consolidation

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

These consolidated financial statements have been prepared in accordance with the accounting policies presented below and are based on IFRS and IFRS Interpretations Committee (“IFRIC”) interpretations issued and effective as of December 31, 2023. The policies set out below were consistently applied to all of the periods presented.

Certain comparative figures have been reclassified to conform with changes in the presentation of the current year. Realized (gains) losses on derivatives were previously presented within (gains) losses on derivatives in the operating activities section of the consolidated statements of cash flows and has now been reclassified and presented in changes in non-cash working capital, specifically changes in accounts payable and accrued liabilities. Net proceeds on settlement of derivatives was previously included on its own line within the operating activities section of the consolidated statements of cash flows and has now been reclassified and presented in changes in non-cash working capital, specifically changes in accounts payable and accrued liabilities. Non-current ore stockpiles were previously presented in current ore stockpiles and have now been reclassified to non-current other assets. These reclassifications had no effect on the previously reported operating cash flow, net income and net equity for the comparative period.

<u>*Group Companies*</u>

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

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

Name	Location	Ownership	Status	Functional Currency
Pinto Valley Mining Corp.	US	100.0%	Consolidated	US dollar
Mantos Copper S.A.	Chile	100.0%	Consolidated	US dollar
Mantoverde S.A.	Chile	70.0%	Consolidated	US dollar
Capstone Gold, S.A. de C.V.	Mexico	100.0%	Consolidated	US dollar
Minera Santo Domingo SCM	Chile	100.0%	Consolidated	US dollar

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

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

3 Material Accounting Policy Information, Estimates and Judgements

a. Use of estimates and judgments

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

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

i. Economic recoverability and probability of future economic benefits of mineral exploration, evaluation and development costs

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

ii. Assessment of impairment and impairment reversal indicators

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

iii. Functional currency

The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates.

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

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

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

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

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

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

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

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is probable that the Company will benefit from these prior losses and other deferred tax assets. The tax rates expected to be in effect when temporary differences reverse are 21% for US, 27% for Canada, 30% for Mexico and 27% for Chile. The Company is subject to certain mining royalties which are referenced in Note 16. The Chilean Mining Royalty has progressive tax rates ranging from 8% to 26% based on the adjusted mining operating income ("RIOMA") and the rate on mining royalties in Mexico is 7.5%. Changes in economic conditions, metal prices, applicable tax laws and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

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

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

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

vii. *Impairment of mineral properties, plant and equipment*
Management considers both external and internal sources of information in assessing whether there are any indications that the Company's mineral properties, plant and equipment are impaired and whether previously recorded impairments should be reversed. External sources of information management considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its mineral properties, plant and equipment. Internal sources of information that management considers include the manner in which mineral properties, plant and equipment are being used or are expected to be used and indications of economic performance of the assets. Management concluded that there were no indicators of impairment for the years ended December 31, 2023 and 2022.

In determining the recoverable amounts of the Company's mineral properties, plant and equipment, management makes estimates of the future operating results and discounted net cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the appropriate discount rate. Changes in metal price forecasts, estimated future costs of production, estimated future non-expansionary capital expenditures, fair value due to strategic processes, the amount of recoverable mineral reserves, mineral resources, and exploration potential, and/or changes in current economics, regulatory or legal requirements and comparable market transactions can result in a write-down or a reversal of a previous write-down of the carrying amounts of the Company's mineral properties, plant and equipment. Management concluded that there were no indicators of impairment, or reversal of impairments previously recorded, for the years ended December 31, 2023 and 2022, respectively.

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

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

Long-term inventory consists of ore stockpiles that are not expected to be processed within one year. The Company carries its long-term inventory at the lower of cost and net realizable value. If the carrying value exceeds the net realizable amount, a write-down is required. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

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

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

b. Material accounting policy information of the Company is as follows:

i. *Translation of foreign currencies*
The functional currency and presentation currency of the Company is the US dollar. The functional currency of each entity is determined after consideration of the primary economic environment of the entity. The functional currencies of the Company's material subsidiaries are listed in Note 21.

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

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

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

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

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

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

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

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

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

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

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

vii. Deferred stripping

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

viii. Mineral exploration and development properties

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

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

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

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

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

Once management has determined that the development potential of the property is economically viable and the necessary permits are in place for its development, and the criteria in Note 3(c)(vi) are met, the costs of the exploration asset are reclassified to producing mineral properties.

ix. *Plant and equipment*

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

x. *Construction in progress*

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

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

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

Depletion and amortization is computed using the following rates:

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

xii. *Borrowing costs*

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

xiii. Impairment of long-lived assets

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

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

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

xiv. Income taxes

Current tax

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

Deferred tax

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

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

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

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

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

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

xv. Taxes receivable

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

xvi. Embedded derivatives

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

xvii. Derivatives

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

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

xviii. Compound instruments

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

xix. Financial instruments

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

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

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

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

xx. Impairment and uncollectibility of financial assets

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

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

xxi. Deferred revenue

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

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

The initial consideration received from streaming arrangements is considered variable, subject to changes in the total gold and silver ounces to be delivered. As product is delivered, the deferred revenue amount including accreted interest will be taken into net (loss) income. The draw down rate requires the use of proven and probable reserves and certain resources in the calculation that are beyond proven and probable reserves which management is reasonably confident will be transferable to reserves. Key estimates used in determining the significant financing component include the discount rate and the reserve and resources assumed for conversion. Changes to variable consideration are reflected in revenue in the consolidated statement of (loss) income.

xxii. Leases

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

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

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

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

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

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

xxiii. Reclamation and closure cost obligations

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

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

xxiv. Provisions

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

xxv. Post-employment benefits

Employment terms may provide for payment of a severance indemnity when an employment contract comes to an end. This is typically at the rate of one month for each year of service (subject in most cases to a cap as to the number of qualifying years of service) and based on final salary level. The severance indemnity obligation is treated as an unfunded defined benefit plan, and the calculation is based on valuations performed by an independent actuary using the projected unit credit method, which are regularly updated.

The obligation recognized in the balance sheet represents the present value of the severance indemnity obligation. Actuarial gains and losses are immediately recognized in other comprehensive income.

xxvi. Business combinations and goodwill

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

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

IFRS 3 requires that one of the parties to the business combination be designated as the acquirer for accounting purposes. In making this assessment, factors such as the voting rights of the outstanding equity instruments, the corporate governance structure of the combined entity, the composition of senior management of the combined company and the relative size and net asset values of each of the companies are taken into consideration. No single factor is the sole determinant in the overall conclusion; all factors are considered in arriving at this conclusion.

xxvii. Non-controlling interest

Non-controlling interest is measured either at the fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquirer's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction by transaction basis. Net earnings for the period that are attributable to non-controlling interest are calculated based on the ownership of the minority shareholders in the subsidiary.

xxviii. Share capital

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

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

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

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

xxix. Share-based payments

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

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

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

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

xxx. Revenue recognition

Sales of metal concentrates and cathode are recognized and revenue is recorded at market prices following the transfer of control to the customer, provided that the Company has a present right to payment, has transferred physical possession of the asset to the customer, and the customer has the significant risks and rewards of ownership. Capstone satisfies its performance obligations upon delivery of the metal concentrates and cathode.

The Company's metal concentrates are sold under a pricing arrangement where final prices are determined by quoted market prices in a period subsequent to the date of sale. Until prices are final, revenues are recorded based on forward commodity prices of metals for the expected period of final settlement. Subsequent variations in the final determination of the metal concentrate weight, assay and price are recognized as revenue adjustments as they occur until finalized. Pricing and volume adjustments, as well as refining and treatment charges, under the sales contracts are presented separately in the notes to the consolidated financial statements (Note 19).

The Company enters into copper time-spread swaps in order to manage the risk associated with final prices in terms of copper concentrate sales agreements. The associated gain/losses are recorded in Revenue in order to follow the nature of the transaction to which it is linked.

xxxi. (Loss) earnings per share

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

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

4 Adoption of New and Revised IFRS and IFRS Not Yet Effective

<u>New IFRS Pronouncements</u>

Issued and effective January 1, 2023

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

In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12 Income Taxes. The amendments became effective January 1, 2023. These amendments do not have an effect on the Company's financial statements as we currently follow the accounting treatment proposed by the amendments.

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

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

The Company performed an assessment and determined it would not be impacted by additional top-up taxes as a result of Pillar Two income taxes.

Issued but not yet effective

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

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

5. Business Combination Between Capstone and Mantos

Description of the Transaction

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

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

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

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

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

Consideration and Purchase Price Allocation

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

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

Allocation of Purchase Price		**Final as reported December 31, 2022**
Cash and cash equivalents	$	**219,211**
Receivables		**129,383**
Inventories		**111,602**
Due from related party *(i)*		**259,843**
Mineral properties, plant and equipment		**2,907,689**
Other assets		**27,663**
Derivative assets		**26,804**
Accounts payable and accrued liabilities		**(230,846)**
Due to related party *(i)*		**(259,843)**
Income taxes payable		**(9,983)**
Long-term debt		**(371,642)**
Derivative liabilities		**(155,386)**
Lease liabilities		**(78,146)**
Deferred income tax liabilities		**(484,678)**
Provisions		**(84,293)**
Net assets acquired before non-controlling interest	**$**	**2,007,378**
Non-controlling interest *(Note 12)*		**(414,699)**
Net assets acquired	**$**	**1,592,679**

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

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

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

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

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

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

6. Financial Instruments

Fair value of financial instruments

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

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

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

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

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

Level 3 – Fair values measured using inputs that are not based on observable market data.

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

As of December 31, 2023 the Company's classification of financial instruments within the fair value hierarchy are summarized below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Short-term investments	**$ 804**	**$ —**	**$ —**	**$ 804**
Copper concentrate receivables *(Note 7)*	**—**	**73,800**	**—**	**73,800**
Copper cathode receivables *(Note 7)*	**—**	**34,549**	**—**	**34,549**
Derivative assets	**—**	**35,549**	**—**	**35,549**
Investment in marketable securities *(Note 10)*	**824**	**—**	**—**	**824**
	$ 1,628	**$ 143,898**	**$ —**	**$ 145,526**
Financial liabilities				
Derivative liabilities	**$ —**	**$ 16,788**	**$ —**	**$ 16,788**
Gold stream liability	**—**	**7,100**	**—**	**7,100**
	$ —	**$ 23,888**	**$ —**	**$ 23,888**

As of December 31, 2022 the Company's classification of financial instruments within the fair value hierarchy is summarized below:

	Level 1	Level 2	Level 3	Total
Short-term investments	$ 1,553	$ —	$ —	$ 1,553
Copper concentrate receivables *(Note 7)*	—	72,720	—	72,720
Copper cathode receivables *(Note 7)*	—	70,814	—	70,814
Derivative assets - current *(Note 10)*	—	48,563	—	48,563
Investment in marketable securities *(Note 10)*	1,628	—	—	1,628
	$ 3,181	$ 192,097	$ —	$ 195,278

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between Level 1, Level 2 and Level 3 during the year ended December 31, 2023.

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

	December 31, 2023			
	Fair value through profit or loss	Fair value through OCI	Amortized cost	Total
Cash and cash equivalents	**$ —**	**$ —**	**$ 126,016**	**$ 126,016**
Short-term investments	**804**	**—**	**—**	**804**
Copper concentrate receivables *(Note 7)*	**73,800**	**—**	**—**	**73,800**
Copper cathode receivables *(Note 7)*	**34,549**	**—**	**—**	**34,549**
Other receivables *(Note 7)*	**—**	**—**	**14,671**	**14,671**
Derivative assets	**35,549**	**—**	**—**	**35,549**
Investment in marketable securities *(Note 10)*	**—**	**824**	**—**	**824**
	$ 144,702	**$ 824**	**$ 140,687**	**$ 286,213**

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

	December 31, 2022			
	Fair value through profit or loss	Fair value through OCI	Amortized cost	Total
Cash and cash equivalents	$ —	$ —	$ 170,307	$ 170,307
Short-term investments	1,553	—	—	1,553
Copper concentrate receivables *(Note 7)*	72,720	—	—	72,720
Copper cathode receivables *(Note 7)*	70,814	—	—	70,814
Other receivables *(Note 7)*	—	—	11,763	11,763
Derivative assets	48,563	—	—	48,563
Investment in marketable securities *(Note 10)*	—	1,628	—	1,628
Other asset	—	—	5,000	5,000
	$ 193,650	$ 1,628	$ 187,070	$ 382,348

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

	December 31, 2023		
	Fair value through profit or loss	**Amortized cost**	**Total**
Accounts payable and accrued liabilities	**$ —**	**$ 272,277**	**$ 272,277**
Long-term debt *(Note 14)*	**—**	**998,655**	**998,655**
Due to related party *(Note 12)*	**—**	**195,872**	**195,872**
Derivative liabilities	**16,788**	**—**	**16,788**
Working capital facility *(Note 11)*	**—**	**25,618**	**25,618**
Payable on purchase of non-controlling interest *(Note 11)*	**—**	**42,389**	**42,389**
Gold stream obligation (*Note 11)*	**7,100**	**—**	**7,100**
	$ 23,888	**$ 1,534,811**	**$ 1,558,699**

	December 31, 2022		
	Fair value through profit or loss	Amortized cost	Total
Accounts payable and accrued liabilities	$ —	$ 284,913	$ 284,913
Long-term debt *(Note 14)*	—	599,075	599,075
Due to related party *(Note 12)*	—	60,000	60,000
Derivative liabilities	54,489	—	54,489
Payable on purchase of non-controlling interest *(Note 11)*	—	40,364	40,364
	$ 54,489	$ 984,352	$ 1,038,841

There have been no changes during the year ended December 31, 2023, in how the Company categorizes its financial assets and liabilities by fair value through profit or loss, fair value through OCI, and amortized cost.

At December 31, 2023 and 2022, the carrying amounts of accounts receivable not arising from sales of metal concentrates and cathodes, accounts payable and accrued liabilities, and other current assets and current liabilities are considered to be reasonable approximations of their fair values due to the short-term nature of these instruments. The fair value of the Company's long-term debt is approximated by its carrying value since the contractual interest rates are comparable to current market interest rates.

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

Derivative instruments

As at December 31, 2023, the Company's derivative financial instruments are composed of copper commodity swap contracts, copper zero-cost collar contracts, interest rate swap contracts, foreign currency zero-cost collars ("ZCC"), forward and swap contracts and quotational pricing contracts.

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

The Company's outstanding derivative instruments as of December 31, 2023, are as follows:

Type	Contract description	Remaining term	Put strike	Call strike / Fixed rate	Notional tonnes / Quantity
Commodity (i)	Fixed-for-Floating Swaps Copper	January - June 2024	$—	$3.39/lb	12,263 tonnes
Commodity (ii)	Fixed-for-Floating Swaps Copper	January - June 2024	$—	$3.79/lb	6,000 tonnes
Commodity (ii)	ZCC - Call and Put Option Contracts - Copper	January - June 2024	$3.55/lb $3.75/lb	$4.22/lb $4.50/lb	14,000 tonnes
Interest rate (iii)	Fixed-for-floating swaps adjusted SOFR	January 2024 - March 2030	—	1.015%	$520 million USD
Interest rate (iii)	Floor options adjusted SOFR	January 2024 - September 2025	—	0%	$520 million USD
Foreign currency (iv)	Foreign Exchange Swaps - CLP	January - March 2024	—	727.70	506 million CLP
Foreign currency (iv)	Foreign Exchange Swaps - UF	January - May 2024	—	41.70	0.1 million UF
Foreign currency (v)	Foreign exchange ZCC - CLP	January - December 2024	825.00 835.00	922.50 955.00	123.4 billion CLP
Foreign currency (vi)	Foreign exchange ZCC - CAD	January - December 2024	1.35	1.39	$10.0 million CAD
Foreign currency (vii)	Foreign exchange ZCC - MXN	January - December 2024	18.00 18.25	20.20 20.50	660 million MXN
Quotational pricing contracts (viii)	Copper time-spread swaps	January - February 2024	—	—	8,946 tonnes

i. As part of the Mantoverde Development Project ("MVDP") financing arrangements, Mantos was required to enter into a number of fixed-for-floating swaps to hedge LME copper prices. Under the agreements, a subsidiary of the Company has remaining hedges of 12,263 metric tonnes in the first half of 2024. At December 31, 2023, the fair value of these derivatives was $(13.1) million (December 31, 2022 - $(26.0) million).

ii. In April 2023, the company entered into fixed-for-floating swaps for 6,000 metric tonnes for the first half of 2024 at average price of $3.79/lb. The Company also entered into zero cost collar ("ZCC") contracts whereby it sold a series of call option contracts ($4.22/lb to $4.50/lb) and purchased a series of put option contracts ($3.55.lb to $3.75/lb) for $nil cash premium consisting of 14,000 metric tonnes in the first half of 2024. At December 31, 2023, the fair value of these derivatives was $(0.4) million (December 31, 2022 - $(16.9) million).

iii. To mitigate the risk of movements in interest rates, and in compliance with a covenant in the MVDP financing, a subsidiary of the Company entered into a fixed-for-floating SOFR swap at 1.015% with floating rate of daily SOFR, compounded to a quarterly rate, plus 0.2616% adjustment, until March 2030, with a 0% floor on the adjusted SOFR rate until September 2025. The fixed for floating swap notional represents the notional amount as of the reporting period. The derivative instruments are a series of quarterly contracts, with notional amounts in line with planned quarterly balances based on expected project finance debt drawdown and expected amortization. At December 31, 2023, the fair value of the fixed-for-floating swaps and floor option derivative contracts was $33.4 million (December 31, 2022 - $48.3 million).

iv. As a covenant in the MVDP financing, a subsidiary of the Company, entered into foreign exchange forward and swap contracts in February 2021 to hedge the foreign exchange risk related to the capital expenditures for the MVDP. As at December 31, 2023, the fair value of the outstanding CLP and UF contracts was $(0.1) million (December 31, 2022 - $(1.6) million).

v. During the year ended December 31, 2023, the Company entered into ZCCs CLP to US dollar foreign exchange option contracts covering the period from January 2024 through December 2024, representing approximately 75% of Mantoverde's and Mantos Blancos' expected CLP operating costs during the period. At December 31, 2023, the fair value of the outstanding CLP contracts was $(1.4) million (December 31, 2022 - $0.5) million).

vi. In October 2023, the Company entered into CAD zero cost collars to US dollar foreign exchange option contracts covering the period from January through December 2024, representing approximately 50% of the expected CAD general and administrative costs during this period. At December 31, 2023, the fair value of the outstanding CAD contracts was $0.2 million (December 31, 2022 - $0.2 million).

vii. In October 2023, the Company entered into MXN zero cost collars to US dollar foreign exchange option contracts covering the period from January 2024 through December 2024, representing approximately 75% of the expected MXN operating costs during this period. At December 31, 2023, the fair value of the outstanding MXN contracts was $1.9 million (December 31, 2022 - $nil).

viii. The Company enters into copper time-spread swaps in order to manage the risk associated with provisional pricing terms in copper concentrate sales agreements. As at December 31, 2023, the Company had 8,946 metric tonnes of copper swaps outstanding at an effective average benefit of $30.71 per tonne and settling across January to February 2024. At December 31, 2023, the fair value of the outstanding contracts was $(1.8) million (December 31, 2022 - $(9.5) million).

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

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

		December 31, 2023		December 31, 2022
Derivative financial assets:				
Foreign currency contracts	**$**	**2,139**	$	247
Interest rate swap contracts		**16,845**		19,734
Total derivative financial assets - current		**18,984**		19,981
Interest rate swap contracts		**16,565**		28,582
Total derivative financial assets - non-current	**$**	**16,565**	$	28,582
Derivative financial liabilities:				
Foreign currency contracts		**1,503**		2,073
Copper commodity contracts		**13,484**		32,888
Quotational pricing contracts		**1,801**		9,462
Total derivative financial liabilities - current	**$**	**16,788**	$	44,423
Foreign currency contracts		**—**		46
Copper commodity contracts		**—**		10,020
Total derivative financial liabilities - non-current	**$**	**—**	$	10,066

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

		Year ended December 31,		
		2023		2022
Unrealized gain (loss) on derivative financial instruments:				
Foreign currency contracts	**$**	**2,505**	$	9,998
Copper commodity contracts		**29,425**		100,834
Interest rate swap contracts		**(14,820)**		22,725
Unrealized loss on warrants		**—**		(387)
Total unrealized (loss) gain on derivative financial instruments		**17,110**		133,170
Realized gain (loss) on derivative financial instruments:				
Foreign currency contracts		**243**		(24,881)
Copper commodity contracts		**(35,869)**		(1,384)
Interest rate swap contracts		**21,591**		4,182
Total realized gain (loss) on derivative financial instruments		**(14,035)**		(22,083)
Total unrealized and realized gain on derivative financial instruments:	**$**	**3,075**	$	111,087

** Amounts above do not include unrealized and realized gains and losses related to the Company's quotational pricing contracts as these amounts are included in pricing and volume adjustments on copper concentrate sales (Note 19).*

Valuation methodologies for Level 2 financial instruments

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

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

Derivative assets and liabilities consist of the mark-to-market adjustments to record the fair values of the outstanding zero cost collar and forward foreign currency contracts, commodity swaps, interest rate swaps quotational pricing contracts. At December 31, 2023 derivative assets consist of zero cost collar and forward foreign currency contracts and interest rate swap contracts. Derivative liabilities consist of zero cost collar foreign currency contracts, copper commodity contracts and quotational pricing contracts. All of the Company's derivative assets and liabilities are marked-to-market based on a valuation model which uses quoted observable inputs.

Commodity price risk

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

Credit risk

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

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

As at December 31, 2023, the Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalents, short-term investments, receivables, derivative assets and investment in marketable securities.

Foreign exchange risk

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

As at December 31, 2023, the Company is exposed to foreign exchange risk through the following financial assets and liabilities denominated in currencies other than the functional currency of the applicable subsidiary:

	Canadian dollar	**Mexican peso**	**Chilean peso**
Cash	$ 798	$ 551	$ 30,006
Receivables and other current assets	856	2,514	26,594
Deposits and other long-term assets	98	125	95
Total assets	1,752	3,190	56,695
Accounts payable and accrued liabilities	8,365	9,765	51,849
Total liabilities	8,365	9,765	51,849
Net (liabilities) assets	**$ (6,613)**	**$ (6,575)**	**$ 4,846**

The following sensitivity analysis for foreign currency risk relates solely to financial assets and liabilities that were outstanding at December 31, 2023 and each sensitivity calculation assumes all other variables are held constant.

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

The analysis does not reflect the overall effect that changes in market variables would have on the Company's results.

Based on the above net exposures at December 31, 2023, a 10% appreciation in the Canadian dollar against the US dollar would result in a $0.7 million increase in the Company’s loss before taxes. A 10% appreciation of the Mexican peso against the US dollar would result in a $0.7 million increase in the Company’s loss before taxes. A 10% appreciation of the Chilean peso against the US dollar would result in a $0.5 million decrease in the Company’s loss before taxes.

Liquidity risk

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

As of December 31, 2023, the Company’s liabilities that have contractual maturities are as follows:

	Total	2024	2025	2026	2027	After 2027
Accounts payable and accrued liabilities *(i)*	$ 272,277	$ 272,277	$ —	$ —	$ —	$ —
Long term debt *(ii)*	$ 994,000	28,398	85,748	88,640	504,353	286,861
Due to related party *(Note 12)*	$ 60,000	3,243	6,486	6,486	6,486	37,299
Working capital facility *(Note 11)*	$ 25,618	25,618	—	—	—	—
Leases and other contracts	$ 127,715	35,746	25,147	20,507	15,861	30,454
Water supply contracts *(Note 24)*	$ 201,342	20,620	22,160	22,631	18,516	117,415
	$ 1,680,952	$ 385,902	$ 139,541	$ 138,264	$ 545,216	$ 472,029

i. *Amounts above do not include payments related to the Company's reclamation and closure cost obligations, other long- term provisions (Note 17) and other liabilities without contractual maturities.*
ii. *Excluding deferred financing costs and purchase price accounting fair value adjustments*

Interest rate risk

The Company’s long-term debt is based on variable interest rates. Variable interest rates are currently based on US dollar SOFR plus a variable margin. From time to time, the Company has entered into derivative contracts to manage this risk. Based on the utilized Mantoverde Development Project Facility, Cost Overrun Facility, Due to Related Party and Revolving Credit Facility and balances of $520.0 million, $60.0 million, $129.9 million and $474.0 million at December 31, 2023, respectively, a 0.1% increase in the SOFR rates would result in a $0.7 million increase in annual net loss before taxes. The Company is also exposed to interest rate risk with respect to the interest it earns on its cash balances and short-term investments. A 0.1% change in interest rates would have a nominal effect on the Company’s interest income.

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

7. Receivables

Details are as follows:

		December 31, 2023		December 31, 2022
Copper cathode	**$**	**34,549**	$	70,814
Copper concentrate		**73,800**		72,720
Value added taxes and other taxes receivable		**16,345**		31,535
Income taxes receivable		**7,953**		5,055
Other		**14,671**		11,763
Total receivables	**$**	**147,318**	$	191,887

8. Inventories

Details are as follows:

		December 31, 2023		December 31, 2022
Current:				
Materials and consumables	**$**	**82,478**	$	68,121
Ore stockpiles		**14,003**		10,596
Work-in-progress		**21,477**		29,386
Finished goods - copper cathode		**16,400**		19,057
Finished goods - copper concentrate		**15,255**		13,637
Total inventories - current	**$**	**149,613**	$	140,797
Non-current:				
Ore stockpiles *(Note 10) (i)*		**8,474**		2,700
Total inventories - non-current	**$**	**8,474**	$	2,700

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

During the year ended December 31, 2023, concentrate and cathode inventories recognized as production costs, including depletion and amortization, amounted to $1,251.3 million (2022 – $1,078.1 million).

During the year ended December 31, 2023, the Company recorded write-downs of $1.9 million related to Mantoverde's cathode inventories and Pinto Valley's supplies inventories which were recorded as production costs.

During the year ended December 31, 2022, the Company recorded write-downs of $2.8 million related to Mantoverde's cathode inventories and Pinto Valley's ore stockpile and supplies inventories, which were recorded as production costs.

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

9. Mineral Properties, Plant and Equipment

Details are as follows:

	Mineral properties			Plant and equipment			
	Depletable		Non-depletable	Subject to amortization		Not subject to amortization	
	Producing mineral properties	Deferred stripping	Mineral exploration and development properties	Plant & equipment	Right of use assets	Construction in progress	Total
At January 1, 2023, net	$ 1,709,157	$ 137,563	$ 819,225	$ 1,052,252	$ 91,743	$ 896,371	$ 4,706,311
Additions	10,222	218,379	45,001	6,185	72,976	468,224	820,987
Disposals	—	—	(19)	(300)	—	(345)	(664)
Rehabilitation provision adjustments *(Note 17)*	6,741	—	—	—	—	—	6,741
Reclassifications	36,427	9,076	(26,395)	189,664	(16,060)	(192,712)	—
Depletion and amortization	(89,820)	(57,337)	—	(85,398)	(14,563)	—	(247,118)
At December 31, 2023, net	**$ 1,672,727**	**$ 307,681**	**$ 837,812**	**$ 1,162,403**	**$ 134,096**	**$ 1,171,538**	**$ 5,286,257**
At December 31, 2023:							
Cost	$ 2,182,946	$ 469,961	$ 837,812	$ 2,881,315	$ 246,775	$ 1,171,538	$ 7,790,347
Accumulated amortization and impairment	(510,219)	(162,280)	—	(1,718,912)	(112,679)	—	(2,504,090)
Net carrying amount	**$ 1,672,727**	**$ 307,681**	**$ 837,812**	**$ 1,162,403**	**$ 134,096**	**$ 1,171,538**	**$ 5,286,257**

During the year ended December 31, 2023, the Company capitalized $72.2 million (2022 - $23.4 million) of finance costs to Construction in Progress, at a weighted average interest rate of 7.8%.

During the year ended December 31, 2023, the Company capitalized $218.4 million (2022 - $80.4 million) of stripping costs to deferred stripping and depletable mineral properties. During the year ended December 31, 2023, the Company capitalized $9.1 million (2022 - $nil) of pre-stripping costs to Construction in Progress related to MVDP.

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

	Mineral properties			Plant and equipment			
	Depletable		Non-depletable	Subject to amortization		Not subject to amortization	
	Producing mineral properties	Deferred stripping	Mineral exploration and development properties	Plant & equipment	Right of use assets	Construction in progress	Total
At January 1, 2022, net	$ 413,573	$ 89,245	$ 411,154	$ 293,938	$ 14,622	$ 88,338	$ 1,310,870
Business combination with Mantos (*Note 5*)	1,264,631	—	378,856	496,931	71,821	695,450	2,907,689
Additions	67,711	80,406	53,251	3,512	37,996	428,595	671,471
Disposals	—	—	(135)	(30)	—	—	(165)
Rehabilitation provision adjustments *(Note 17)*	13,955	—	—	—	—	—	13,955
Reclassifications	23,943	—	(23,901)	325,156	(9,186)	(316,012)	—
Depletion and amortization	(74,656)	(32,088)	—	(67,255)	(23,510)	—	(197,509)
At December 31, 2022, net	$ 1,709,157	$ 137,563	$ 819,225	$ 1,052,252	$ 91,743	$ 896,371	$ 4,706,311
At December 31, 2022:							
Cost	$ 2,130,178	$ 247,491	$ 819,225	$ 2,665,873	$ 186,355	$ 896,371	$ 6,945,493
Accumulated amortization and impairment	(421,021)	(109,928)	—	(1,613,621)	(94,612)	—	(2,239,182)
Net carrying amount	$ 1,709,157	$ 137,563	$ 819,225	$ 1,052,252	$ 91,743	$ 896,371	$ 4,706,311

The Company's exploration costs were as follows:

	Year ended December 31,	
	2023	2022
Exploration capitalized to mineral properties	**$ 2,400**	$ 3,278
Greenfield exploration expensed to the statement of (loss) income	**4,961**	9,578
	$ 7,361	$ 12,856

Exploration capitalized to mineral properties during the year ended December 31, 2023 and 2022, relates to brownfield exploration at the Cozamin mine. Greenfield exploration expenses during the year ended December 31, 2023 and 2022 related primarily to exploration efforts in the US and Brazil.

As at December 31, 2023, construction in progress primarily relates to capital costs incurred in connection with the MVDP, expansionary and sustaining capital at the Mantos Blancos, Pinto Valley and Cozamin mines and the development at the Santo Domingo project. Capital expenditures committed as at December 31, 2023, but not yet incurred, is $32.9 million (December 31, 2022 - $265.9 million).

As at December 31, 2023, the Revolving Credit Facility ("RCF") *(Note 14)* was secured by the Pinto Valley, Cozamin and Mantos Blancos mineral properties, and plant and equipment with a net carrying value of $2,027.0 million (December 31, 2022 – $1,934.7 million).

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

10. Other Assets

Details are as follows:

		December 31, 2023		December 31, 2022
Current:				
Prepaids	$	36,612	$	37,926
Deposits		4,710		4,500
Other		2,800		2,540
Total other assets - current	$	44,122	$	44,966
Non-current:				
Prepayments		18,045		18,045
Ore stockpiles *(Note 8)*		8,474		2,700
Investments in marketable securities		824		1,628
Finance lease receivable		—		431
Deposits		390		8,177
Other		3,102		6,839
Total other assets - non-current	$	30,835	$	37,820

11. Other Liabilities

Details are as follows:

		December 31, 2023		December 31, 2022
Current:				
Current portion of share-based payment obligations (*Note 17*)	$	8,455	$	30,497
Current portion of deferred revenue *(Note 15)*		12,139		8,524
Current portion of Minto obligation *(Note 17)*		23,943		—
Working capital facility		25,618		—
Other		1,257		301
Total other liabilities - current	$	71,412	$	39,322
Non-current:				
Retirement benefit liabilities	$	13,036	$	6,411
Non-current portion of payable on purchase of NCI		42,389		40,364
Gold stream obligation (*Note 25*)		7,100		—
Other		1,603		3,953
Total other liabilities - non-current	$	64,128	$	50,728

Working Capital Facility

During the year ended December 31, 2023, one of the Company's Chilean subsidiaries entered into a series of three-month facilities with a fixed interest rate of 6.41% for the purposes of working capital management. As at December 31, 2023, the balance of the facility was $25.6 million, including interest of $0.6 million.

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

Payable on purchase of NCI

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

As at December 31, 2023, an unsecured liability of $42.4 million (December 31, 2022 - $40.4 million) has been recognized in the consolidated statement of financial position equal to the discounted amount of the remaining $45 million of cash consideration to be paid to KORES on March 24, 2025. The discounted amount of the remaining $45 million will be accreted up to its face value at 5% per annum. During the year ended December 31, 2023, $2.0 million (December 31, 2022 - $3.5 million) of accretion was recorded in accretion expense in the consolidated statements of (loss) income.

Gold stream obligation

During the fourth quarter of 2023, the Company recognized an obligation related to a completion test on the Santo Domingo gold stream. The fair value of the embedded derivative at December 31, 2023, was a liability of $7.1 million (December 31, 2022 - nil).

12. Non-Controlling Interest

Mitsubishi Materials Corporation ("MMC")

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

In addition to the contingent arrangement, MMC agreed to provide a $60 million Cost Overrun Facility ("COF") in exchange for additional off-take of copper concentrate production under a 10-year contract (Note 24). The COF initially carried an interest rate of 3-month US$ LIBOR plus 1.70% and amortizing over 37 quarters from the earlier of September 30, 2024 or three quarters after project completion. As at December 31, 2023, the COF was fully drawn. As a result of Interest Rate Benchmark Reform, the Company completed the transition from LIBOR to an adjusted SOFR with MMC. The transition resulted in a variable rate of SOFR compounded daily to a 3-month period plus 0.2616% per annum, with margins unchanged.

In addition to the COF, MMC advanced their pro-rata share which amounted to an additional $129.9 million to Mantoverde in the form of a shareholder loan forming part of the financing for the MVDP. Total funds advanced by MMC at December 31, 2023, including accrued interest of $6.0 million (2022 - $nil), was $195.9 million (December 31, 2022 - $60 million).

Details of the due to related party balances are as follows:

	December 31, 2023	December 31, 2022
Total balance	**$ 195,871**	$ 60,000
Less: current portion	**(3,243)**	—
Non-current portion	**$ 192,628**	$ 60,000

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

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

	December 31, 2023	December 31, 2022
Cash and cash equivalents	77,947	$ 102,746
Mineral properties, plant and equipment	2,803,818	2,352,804
Other assets	137,139	175,871
Total assets	**3,018,904**	2,631,421
Accounts payable and accrued liabilities	97,362	138,743
Long-term debt	526,579	527,498
Amounts due to related parties	1,031,078	507,267
Deferred income tax liabilities	389,741	395,030
Other liabilities	152,952	91,637
Total liabilities	**2,197,712**	1,660,175

	Year ended December 31,	
	2023	2022
Net Revenue	**$ 286,073**	$ 315,428
Production costs	**(304,087)**	(317,041)
Depletion and amortization	**(59,473)**	(35,369)
Loss from mining operations	**(77,487)**	(36,982)
Realized and unrealized gain on derivative instruments	**2,717**	109,468
Income tax and other expense	**(2,076)**	(26,021)
Net (loss) income	**(76,846)**	46,465
(Loss) profit attributable to owners of Mantoverde SA	**(53,792)**	32,525
(Loss) profit attributable to the non-controlling interest	**(23,054)**	13,940
(Loss) profit for the period	**$ (76,846)**	$ 46,465
Share of comprehensive (loss) profit for the period	**(23,104)**	13,940
Opening balance	**$ 428,639**	$ —
Business combination with Mantos *(Note 5)*	**—**	414,699
Share of comprehensive (loss) profit for the period	**(23,104)**	13,940
Non-controlling interest	**$ 405,535**	$ 428,639

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

13. Lease Liabilities

Details are as follows:

		Total
Balance, December 31, 2021	$	16,041
Business combination with Mantos *(Note 5)*		78,146
Additions		33,649
Payments		(29,437)
Accretion expense		5,446
Foreign currency translation adjustment		52
Balance, December 31, 2022	**$**	**103,897**
Additions		**69,497**
Payments		**(42,727)**
Reclassifications *(i)*		**(3,300)**
Accretion expense		**8,679**
Foreign currency translation adjustment		**453**
Balance, December 31, 2023	**$**	**136,499**
Less: current portion		(33,516)
Non-current portion	**$**	**102,983**

i. Relates to an advance payment made during the year ended December 31, 2022, reclassified against the lease liability.

14. Long-Term Debt

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

		December 31, 2023		December 31, 2022
Mantoverde Development Project Facility	**$**	**526,579**	$	527,498
Revolving Credit Facility		**472,077**		71,577
Total balance		**998,656**		599,075
Less: current portion		**(28,398)**		—
Non-current portion	**$**	**970,258**	$	599,075

Mantoverde Development Project Facility

In order to fund the construction of MVDP, the Company secured a senior secured amortizing project debt facility in an aggregate amount of $520 million (the "MVDP Facility", comprising the “Covered Facility” $250 million, the “Uncovered Facility” $210 million, and the “ECA Direct Facility” $60 million). These project finance facilities are subject to affirmative, financial and restrictive covenants that include obligations to maintain the security interests in favour of the lenders over substantially all of the Mantoverde assets, insurance coverage, maintenance of off-take agreements, environmental and social compliance, restrictions on new financial indebtedness, distributions and dispositions, and compliance with certain financial ratios. As at December 31, 2023, the Company was in compliance with these covenants.

At December 31, 2023, $520 million was drawn on the MVDP Facility with $6.6 million recognized as an adjustment to record the debt at its fair value as required as part of the accounting for the business combination with Mantos (December 31, 2022 - $520 million and $7.5 million). This fair value adjustment amortizes down to its historical cost over the duration of the MVDP Facility.

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

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

Interest on borrowings under the MVDP Facility is payable quarterly. As a result of Interest Rate Benchmark Reform, the Company has completed the transition from LIBOR to an adjusted SOFR for its MVDP debt financing facility. The transition resulted in a variable rate of SOFR compounded daily to a 3-month period plus 0.2616% per annum, with margins unchanged (i.e., 1.65% for the Covered Facility and, with respect to the Uncovered Facility, a rate of 3.75% and with respect to the ECA Direct Facility, a rate of 4.00% pre-completion of the MVDP, and decreasing to 3.50% and 3.75% respectively post-completion of the MVDP). Pursuant to the Covered Facility, an export credit agency guaranteed premium of 2.05% per annum is also payable quarterly and calculated over amounts outstanding under the Covered Facility. The MVDP Facility is secured by a comprehensive security package covering substantially all of the Mantoverde assets. The MVDP Facility amortizes from the earlier of September 30, 2024 and 180 days after project completion until December 2030 for the Uncovered Facility and December 2032 for the Covered Facility and ECA Direct Facility.

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

Revolving Credit Facility

On September 22, 2023, Capstone amended its RCF to increase the aggregate commitments from $600 million to $700 million and extended the maturity from May 2026 to September 2027. The Amended RCF bears interest on a sliding scale of adjusted term SOFR plus a margin of 2.000% to 2.875%. This amendment was treated as an extinguishment of the previous debt facility, resulting in $2.7 million of deferred financing fees being written off during the year ended December 31, 2023.

The interest rate at December 31, 2023 was one-month adjusted term SOFR of 5.46% plus 2.125% (2022 - adjusted term SOFR of 4.83% plus 1.88%) with a standby fee of 0.48% (2022 – 0.42%) payable on the undrawn balance (adjustable in certain circumstances).

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

The RCF requires Capstone to maintain certain financial ratios relating to debt and interest coverage. Capstone was in compliance with these covenants as at December 31, 2023.

Details of the balance are as follows:

	December 31, 2023	December 31, 2022
Balance drawn on the RCF	**$ 474,000**	$ 75,000
Deferred financing fees	**(1,923)**	(3,423)
Total RCF balance	**$ 472,077**	$ 71,577

Surety Bonds

As at December 31, 2023, the Company has in place seven surety bonds totaling $236.3 million to support various reclamation and other obligation bonding requirements. These comprise $172.7 million securing reclamation obligations at Pinto Valley, $4.0 million provided as security as part of a power supply agreement at Pinto Valley, $1.9 million related to the construction of a port for the Santo Domingo development project in Chile, $25.9 million at Mantoverde, and $31.7 million at Mantos Blancos, respectively, securing reclamation obligations. The Company is also an Indemnitor to the surety bond provider for the surety bond obligations of Minto Metals Corp. ("Minto Metals") (*Note 17*).

15. Deferred Revenue

Silver Precious Metals Purchase Arrangement ("Silver PMPA")

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

The Company recorded the upfront cash consideration received of $150 million as deferred revenue and recognizes amounts in revenue as silver is delivered under the Silver PMPA. Capstone determines the amortization of deferred revenue to the consolidated statements of (loss) income on a per unit basis using the estimated total number of silver ounces expected to be delivered over the life of the Cozamin mine. The amortization rate requires the use of proven and probable mineral reserves and certain mineral resources which management is reasonably confident will be transferred to mineral reserves. The Company estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months. During the year ended December 31, 2023, the Company delivered 572,312 ounces (2022 - 593,062 ounces) of silver to Wheaton under the Silver PMPA.

The agreement with Wheaton includes a completion test which requires the completion of the paste backfill plant by December 31, 2023, and production of at least 105,000 cubic meters of suitable past backfill for use in the underground operations at Cozamin over a consecutive 90-day period. Failure to achieve the completion requirements will result in a refund being owed to Wheaton up to a maximum amount of $13 million based on the ratio of paste backfill that was used in the underground operations compared to the target of 105,000 tonnes.

Gold Precious Metals Purchase Arrangement ("Gold PMPA")

On April 21, 2021, Capstone Mining received an early deposit of $30 million ("the Early Deposit") in relation to the Gold PMPA with Wheaton effective March 24, 2021. If completion has not been achieved on or before the third anniversary date of receiving the early deposit, and early deposit delay payment will be triggered that would require the company to sell and deliver 104 ounces of refined gold per month until the earlier of: the month completion is achieved, the month in which the early deposit is repaid to Wheaton or the month which refined gold is first required to be sold and delivery to Wheaton. Additional deposits of $260 million are to be received under the Gold PMPA over the Santo Domingo construction period, subject to sufficient financing having been obtained to cover total expected capital expenditures and other customary conditions, for total consideration of $290 million (collectively "the Deposit"). Wheaton will receive 100% of the gold production from the Company's Santo Domingo development project until 285,000 ounces have been delivered, thereafter dropping to 67% of the gold production for the remaining life of mine.

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

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

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

	Silver PMPA	Gold PMPA	Total
Balance, December 31, 2021	$ 140,510	$ 31,360	$ 171,870
Accretion expense	7,869	2,132	10,001
Recognized as revenue on delivery of silver	(12,885)	—	(12,885)
Balance, December 31, 2022	**$ 135,494**	**$ 33,492**	**$ 168,986**
Accretion expense	**7,528**	**2,277**	**9,805**
Recognized as revenue on delivery of silver	**(13,707)**	**—**	**(13,707)**
Variable consideration adjustment	**(5,326)**	**—**	**(5,326)**
Balance, December 31, 2023	**$ 123,989**	**$ 35,769**	**$ 159,758**
Less: current portion (*Note 11*)	(12,139)	—	(12,139)
Non-current portion	**$ 111,850**	**$ 35,769**	**$ 147,619**

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

As a result of changes in the Cozamin mine's projected production, the amortization rate by which deferred revenue is drawn down into income was adjusted and, as required, a current period catch up adjustment is made for all prior period stream revenues since the stream agreement inception date. This variable consideration adjustment resulted in an increase in revenue of $5.3 million for the year ended December 31, 2023 (2022 - $nil).

16. Income Taxes

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

	Year ended December 31, 2023					
	Canada	**US**	**Mexico**	**Chile**	**Other**	**Total**
Current income and mining tax expense	**$ —**	**$ 1,103**	**$ 10,692**	**$ 1,791**	**$ 469**	**$ 14,055**
Deferred income tax (recovery) expense	**(14,698)**	**2,221**	**15,876**	**16,269**	**—**	**19,668**
Income tax (recovery) expense	**$ (14,698)**	**$ 3,324**	**$ 26,568**	**$ 18,060**	**$ 469**	**$ 33,723**

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

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

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

	Year ended December 31, 2023	2022
(Loss) income before income taxes	**$ (91,003)**	$ 193,721
Canadian federal and provincial income tax rates	**27.00 %**	27.00 %
Income tax (recovery) expense based on the above rates	**(24,571)**	52,305
Increase (decrease) due to:		
Adoption of Chilean Mining Royalty legislation	**31,367**	—
Non-deductible expenditures	**6,118**	3,994
Effects of different statutory tax rates on losses of subsidiaries	**3,190**	1,258
Mexican and Chilean mining royalty taxes	**1,434**	6,173
Current period losses for which deferred tax assets (were) were not recognized	**13,486**	(177)
Adjustments to tax estimates in prior years	**4,708**	554
Foreign exchange and other translation adjustments	**(5,757)**	(2,449)
Impact of Mexican inflation	**(234)**	(1,482)
Other	**3,982**	(2,594)
Income tax expense	**$ 33,723**	$ 57,582
Current income and mining tax expense	**$ 14,055**	$ 45,710
Deferred income tax expense	**19,668**	11,872
Income tax expense	**$ 33,723**	$ 57,582

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

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

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

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

For the year ended December 31, 2023, the Company recognized a deferred income tax expense of $31.4 million, and a corresponding increase to deferred income tax liabilities. In determining this charge, the Company has made assumptions regarding the timing of future cash outflows, the timing of when temporary differences will reverse and the MOM rate that will be in effect during the year the temporary differences reverse.

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

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

		2023		2022
Net deferred tax liability, January 1	**$**	**558,881**	$	65,193
Business combination with Mantos *(Note 5)*		**—**		484,678
Deferred income tax expense for the year		**19,668**		11,872
Deferred income tax (recovered) charged against other comprehensive income		**(1,307)**		65
Other	**$**	**(418)**	$	(2,927)
Net deferred tax liability, December 31	**$**	**576,824**	$	558,881

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

		December 31, 2023		December 31, 2022
Deferred income tax assets:				
Non-capital losses	**$**	**109,637**	$	82,444
Capital leases and other liabilities		**79,288**		62,725
Inventories and other		**10,260**		3,626
Derivative instruments		**387**		7,206
Mineral properties, plant and equipment		**2,192**		2,134
Deferred revenue		**7,339**		4,480
Asset retirement obligation		**25,768**		26,902
Deferred income tax assets		**234,871**		189,517
Deferred income tax liabilities:				
Mineral properties, plant and equipment		**793,829**		730,116
Inventories and other		**4,954**		4,468
Derivative instruments		**—**		5,582
Deferred revenue		**12,912**		8,232
Deferred income tax liabilities		**811,695**		748,398
Net deferred income tax liability	**$**	**576,824**	$	558,881
Breakdown of net deferred income tax liability:				
Asset	**$**	**(53,401)**	$	(38,704)
Liability		**630,225**		597,585
	$	**576,824**	$	558,881

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

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

The composition of the deferred tax expense is as follows:

	Year ended December 31, 2023	2022
Deferred income tax assets:		
Non-capital losses	**$ (27,193)**	$ (12,944)
Accounts payable and other current items	**(14,837)**	1,102
Derivatives and other	**184**	24,435
Asset retirement obligation	**1,135**	(11,682)
Deferred income tax liabilities:		
Mineral properties, plant and equipment	**63,654**	10,818
Inventories and other	**486**	435
Derivative instruments	**(5,582)**	5,582
Deferred revenue	**1,821**	(5,874)
Deferred tax expense	**$ 19,668**	$ 11,872

At December 31, 2023, $53.4 million (2022 – $38.7 million) was recognized as a deferred tax asset based on management's forecasts of future income in certain entities.

As at December 31, 2023, the Company had tax losses of $98.0 million (2022 – $62.1 million) with a tax benefit of $26.5 million (2022 – $16.7 million) that are not recognized as deferred tax assets. The Company recognizes the benefit of tax losses only to the extent that it anticipates future taxable income that can be reduced by the tax losses. The $47.0 million (2022 – $10.9 million) of the tax losses for which a tax benefit has not been recorded expire from 2031 to 2043 while the remaining $51.0 million (2022 – $51.2 million) of the tax losses have no expiry date.

The summary of unrecognized deductible temporary differences is as follows:

	Year ended December 31, 2023	2022
Accounts payable and other	**$ 11,628**	$ 3,665
Mineral properties, plant and equipment	**39,511**	68,602
Investments	**1,887**	2,659
Reclamation and closure cost obligations	**91,802**	100,102
	$ 144,828	$ 175,028

As at December 31, 2023, the Company has $144.8 million (2022 – $175.0 million) of deductible temporary differences with a tax benefit of $33.5 million (2022 – $42.6 million) that are not recognized as deferred tax assets. It is not probable that future taxable income will be available against which the Company can utilize these benefits. The majority of these benefits do not have an expiry date.

As at December 31, 2023, the Company has not recognized deferred taxes on approximately $537.0 million 2022 – $485.0 million) of retained earnings of its foreign subsidiaries, as it is the Company's intention to invest these earnings to maintain and expand the business of these subsidiaries. As at December 31, 2023, the Company has $5.0 million (2022 – $nil) of capital losses that are unrecognized and available to be utilized against future capital gains.

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

17 Provisions

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

Details of changes in the balances are as follows:

	Reclamation & closure cost obligations	Minto obligation	Other closure provisions	Share-based payment obligations	Total
Balance, January 1, 2023	**$ 199,739**	**$ —**	**$ 29,929**	**$ 40,464**	**$ 270,132**
Additions	**—**	**53,923**	**—**	**—**	**53,923**
Share-based payment expense *(Note 18)*	**—**	**—**	**—**	**15,045**	**15,045**
Change in estimates	**6,741**	**(2,035)**	**8,467**	**—**	**13,173**
Interest expense from discounting obligations	**8,960**	**—**	**1,437**	**—**	**10,397**
Payments during the year	**(1,243)**	**(10,407)**	**(4,791)**	**(46,071)**	**(62,512)**
Currency translation adjustments	**—**	**(295)**	**318**	**349**	**372**
Balance, December 31, 2023	**$ 214,197**	**$ 41,186**	**$ 35,360**	**$ 9,787**	**$ 300,530**
Less: Current portion included within other liabilities *(Note 11)*	**—**	**(23,943)**	**—**	**(8,455)**	**(32,398)**
Total provisions - non-current	**$ 214,197**	**$ 17,243**	**$ 35,360**	**$ 1,332**	**$ 268,132**
Balance, January 1, 2022	$ 129,249	$ —	$ 3,714	$ 78,265	$ 211,228
Acquisitions - Business combination with Mantos *(Note 5)*	58,914	—	25,379	—	84,293
Share-based payment expense *(Note 18)*	—	—	—	26,716	26,716
Change in estimates	8,648	—	1,928	—	10,576
Interest expense from discounting obligations	5,554	—	2,639	—	8,193
Payments during the year	(2,411)	—	(2,090)	(63,253)	(67,754)
Currency translation adjustments	(215)	—	(1,641)	(1,264)	(3,120)
Balance, December 31, 2022	$ 199,739	$ —	$ 29,929	$ 40,464	$ 270,132
Less: Current portion included within other liabilities *(Note 11)*	—	—	—	(30,497)	(30,497)
Total provisions - non-current	$ 199,739	$ —	$ 29,929	$ 9,967	$ 239,635

The change in estimates during the year ended December 31, 2023, related to reclamation and closure cost obligations of $6.7 million (2022 – $8.6 million) were recorded as an increase to mineral properties of $6.7 million (2022 – $9.4 million) *(Note 9)* and to the consolidated statement of (loss) income of $nil (2022 – $(0.8) million).

A reclamation and closure cost obligation has been recognized in respect of the mining operations of the Pinto Valley mine, including associated infrastructure and buildings as well as the rail operations of the San Manuel Arizona Railroad Company. The estimated undiscounted cash flows required to satisfy the Pinto Valley reclamation and closure cost obligation as at December 31, 2023 were $108.6 million (2022 – $105.1 million), which have been adjusted for inflation and uncertainty of the cash flows and then discounted using the current market-based pre-tax discount rate of 3.85% (2022 - 3.97%). The resulting reclamation and closure cost obligation for the Pinto Valley mine at December 31, 2023 totalled $91.8 million (2022 – $87.9 million). The Company has $186.0 million in surety bonds outstanding at December 31, 2023 (2022 - $171.5 million) to support current and future Pinto Valley mine reclamation obligations.

A reclamation and closure cost obligation has been recognized in respect of the mining operations of the Cozamin mine, including associated infrastructure and buildings. The estimated undiscounted cash flows required to satisfy the Cozamin reclamation and closure cost obligation as at December 31, 2023 were 606.9 million Mexican pesos (2022 – 328.8 million Mexican pesos), which were adjusted for inflation and uncertainty of the cash flows and then discounted using current market-based pre-tax discount rate 9.14% (2022 – 9.14%). The resulting reclamation and closure cost obligation for Cozamin at December 31, 2023 totalled $27.0 million (2022 – $12.2 million), with an additional $5.6 million (2022 – $3.9 million) of other Cozamin mine closure costs related primarily to a defined benefit obligation.

Reclamation and closure cost obligations have been recognized in respect of the mining operations of the Mantos Blancos mine, including associated infrastructure and buildings. The estimated undiscounted cash flows required to satisfy these reclamation and closure cost obligations as at December 31, 2023, were $72.8 million (2022 - $68.5 million), which were adjusted for inflation and uncertainty of the cash flows and then discounted using a current market-based pre-tax discount rate of 5.40% (2022 – 5.20%). The resulting reclamation and closure cost obligation for Mantos Blancos at December 31, 2023, totalled $54.4 million (2022 – $55.1 million), with an additional $15.7 million (2022 – $14.1 million) of other mine closure costs related primarily to a defined benefit obligation. The Company has $31.7 million in surety bonds outstanding at December 31, 2023 (2022 - $27.5 million) to support current and future Mantos Blancos mine reclamation obligations.

Reclamation and closure cost obligations have been recognized in respect of the mining operations of the Mantoverde mine, including associated infrastructure and buildings. The estimated undiscounted cash flows required to satisfy these reclamation and closure cost obligations as at December 31, 2023, were $58.7 million (2022 - $60.4 million), which were adjusted for inflation and uncertainty of the cash flows and then discounted using a current market-based pre-tax discount rate of 5.40% (2022 – 5.19%). The resulting reclamation and closure cost obligation for Mantoverde at December 31, 2023, totalled $41.0 million (2022 – $44.5 million), with an additional $13.5 million (2022 – $11.5 million) of other mine closure costs related primarily to a defined benefit obligation. The Company has $25.9 million in surety bonds outstanding at December 31, 2023 (2022 - $22.4 million) to support current and future Mantoverde mine reclamation obligations.

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

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

Minto Obligation

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

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

In May 2023, Minto Metals announced that they had ceased all operations at the Minto mine located within the Selkirk First Nation's territory in central Yukon Territories and that the Yukon Government assumed care and control of the site. As Minto Metals has defaulted on the surety bond and has now entered receivership proceedings, Capstone recognized a liability of approximately US$55 million (C$72 million) related to the Company's obligations towards the issuer of the surety bond. In estimating the provision, the Company has made assumptions regarding the timing of cash outflows, long-term inflation rates and discount rate. Due to the associated uncertainty of the timing of cash outflows, it is possible that estimates may need to be revised. While a range of outcomes is possible, the Company believes its potential exposure on calls against the surety bond is capped at approximately C$72 million therefore the timing of cash outflows and changes in the C$:US$ exchange rate are the largest contributors to the measurement uncertainty. During Q4 2023, the Company made payments of $10.4 million to the Yukon Government for reclamation work performed. As at December 31, 2023, the Company has reclassified C$31.7 million (US$23.9 million) to other liabilities.

18. Share Capital

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

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

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

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

	Options outstanding	Weighted average exercise price (C$)
Outstanding, December 31, 2022	7,223,699	$ 1.97
Granted	908,555	6.02
Exercised	(4,371,345)	0.85
Expired	(31,381)	6.75
Forfeited	(187,185)	5.56
Outstanding, December 31, 2023	3,542,343	$ 4.16

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

As at December 31, 2023, the following options were outstanding and outstanding and exercisable:

	Outstanding			Outstanding & exercisable		
Exercise prices (C$)	Number of options	Weighted average exercise price (C$)	Weighted average remaining life (years)	Number of options	Weighted average exercise price (C$)	Weighted average remaining life (years)
$0.70	973,781	$ 0.70	1.2	973,781	$ 0.70	1.2
$3.47 - $3.90	788,588	3.88	2.2	524,781	3.89	2.2
$4.43 - $4.72	61,507	4.63	3.6	20,502	4.63	3.6
$5.08 - $5.79	211,438	5.13	3.4	76,600	5.17	3.3
$6.00 - $6.97	1,507,029	$ 6.39	3.7	327,627	$ 6.82	3.2
	3,542,343	$ 4.16	2.7	1,923,291	$ 2.83	1.9

During the year ended December 31, 2023, the total fair value of options granted was $2.0 million (2022 – $2.2 million) and had a weighted average grant-date fair value of C$3.00 (2022 – C$2.90) per option. During the year ended December 31, 2023, the weighted average share price of the 4.4 million options exercised during the period was C$6.19 (2022 - 4.1 million options and C$5.71).

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

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

	Year ended December 31,	
	2023	2022
Risk-free interest rate	**3.01 %**	2.00 %
Expected dividend yield	**nil**	nil
Expected share price volatility	**63 %**	61 %
Expected forfeiture rate	**6.35 %**	6.24 %
Expected life	**3.9 years**	3.8 years

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

Other share-based compensation plans

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

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

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

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

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

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

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

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

During the year ended December 31, 2023, the total fair value of DSUs, RSUs, and PSUs granted under the SUP was $6.6 million (2022 – $5.7 million), and had a weighted average grant-date fair value of C$6.02 (2022 – C$6.63) per unit.

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

During the year ended December 31, 2023, the total fair value of units granted under the TSUP was $2.4 million (2022 – $3.5 million), and had a weighted average grant-date fair value of C$3.99 (2022 – C$4.53) per unit.

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

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

	Year ended December 31, 2023	2022
Risk-free interest rate	**2.78 %**	1.90 %
Expected dividend yield	**nil**	nil
Expected share price volatility	**64 %**	60 %
Expected forfeiture rate	**nil**	nil
Expected life	**8.7 years**	9.2 years

No Capstone shares were purchased by the Share Purchase Trust during the year ended December 31, 2023 and 2022.

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

	Share Unit Plan			Treasury Share Unit Plan	
	DSUs	RSUs	PSUs	RSUs	PSUs
Outstanding, December 31, 2022	2,319,325	2,830,391	3,429,260	659,409	1,345,733
Granted	125,603	1,265,142	89,947	293,426	551,853
Forfeited	—	(397,676)	(103,743)	(4,408)	(44,308)
Settled	(1,487,597)	(2,210,743)	(3,335,447)	(71,877)	—
Outstanding, December 31, 2023	957,331	1,487,114	80,017	876,550	1,853,278

Share-based compensation expense:

	Year ended December 31, 2023	2022
Share-based compensation expense related to stock options	**$ 1,656**	$ 2,931
Share-based compensation expense related to RSUs and PSUs (TSUP)	**2,305**	2,109
Share-based compensation expense related to DSUs, RSUs and PSUs (SUP)	**15,044**	26,716
Total share-based compensation expense	**$ 19,005**	$ 31,756

19. Revenue

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

	Year ended December 31, 2023	2022
Copper concentrate	**$ 943,610**	$ 891,208
Copper cathode	**419,245**	441,694
Silver	**41,333**	33,920
Gold	**12,907**	1,809
Molybdenum	**5,086**	4,815
Zinc	**252**	2,673
Total gross revenue	**1,422,433**	1,376,119
Less: treatment and selling costs	**(69,410)**	(72,186)
Less: pricing and volume adjustments	**(7,512)**	(7,909)
Revenue	**$ 1,345,511**	$ 1,296,024

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

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

Customer details are as follows:

	Year ended December 31,									
	2023					2022				
	Pinto Valley USA	**Mantos Blancos Chile**	**Mantoverde Chile**	**Cozamin Mexico**	**Total**	Pinto Valley USA	Mantos Blancos Chile	Mantoverde Chile	Cozamin Mexico	Total
Customer #1	**$ —**	**$ 102,979**	**$ 282,055**	**$ —**	**$ 385,034**	$ —	$ —	$ —	$ —	$ —
Customer #2	**—**	**321,751**	**—**	**—**	**321,751**	—	223,919	—	—	223,919
Customer #3	**71,303**	**—**	**—**	**131,275**	**202,578**	—	—	—	—	—
Customer #4	**185,992**	**—**	**3,798**	**—**	**189,790**	—	—	—	—	—
Customer #5	**—**	**—**	**—**	**—**	**—**	—	59,927	192,133	936	252,996
Customer #6	**—**	**—**	**—**	**—**	**—**	—	—	—	224,193	224,193
Customer #7	**—**	**—**	**—**	**—**	**—**	—	35,281	89,126	—	124,407
Other *(i)*	**221,738**	**695**	**5,426**	**95,421**	**323,280**	507,591	4,008	35,736	3,269	550,604
Total gross revenue	**$ 479,033**	**$ 425,425**	**$ 291,279**	**$ 226,696**	**$1,422,433**	$ 507,591	$ 323,135	$ 316,995	$ 228,398	$1,376,119

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

20. (Loss) Earnings Per Share

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

	Year ended December 31,	
	2023	2022
(Loss) earnings per share		
Basic	**$ (0.15)**	$ 0.20
Diluted	**(0.15)**	0.19
Net (loss) earnings		
Net (loss) earnings attributable to common shareholders - basic and diluted	**$ (101,672)**	$ 122,199
Weighted average shares outstanding - basic	**693,520,515**	625,434,676
Dilutive securities		
Stock options	**—**	4,576,508
TSUP units	**—**	168,067
Weighted average shares outstanding - diluted	**693,520,515**	630,179,251
Potentially dilutive securities excluded (as anti-dilutive)		
Stock options	**3,542,343**	2,647,191
TSUP units	**2,729,828**	1,837,075

For periods where the Company records a loss, Capstone Copper calculates diluted loss per share using the basic weighted average number of shares. If the diluted weighted average number of shares were used, the result would be a further reduction in the loss per share.

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

21. Compensation of Key Management Personnel

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

	Year ended December 31, 2023	2022
Salaries and short-term benefits	**$ 8,426**	$ 10,972
Share-based payments	**11,118**	21,554
	$ 19,544	$ 32,526

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

22. Supplemental Cash Flow Information

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

	Year ended December 31, 2023	2022
Receivables	**$ 46,843**	$ (35,519)
Inventories	**(445)**	54,024
Other assets	**2,829**	(11,852)
Accounts payable and accrued liabilities	**(101,234)**	(61,907)
Other liabilities	**(38,628)**	(38,555)
Net change in non-cash working capital	**$ (90,635)**	$ (93,809)

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

	Year ended December 31, 2023	2022
VAT receivable	**$ (82)**	$ (303)
Other non-current assets	**705**	(7,105)
Other non-current liabilities	**2,025**	3,833
Net change in other non-cash items	**$ 2,648**	$ (3,575)

Below is a reconciliation of depreciation in operating cash-flows in the consolidated statement of cash-flows to the Mineral Properties, Plant and Equipment (Note 9):

	Year ended December 31, 2023	2022
Depreciation and depletion per mineral properties, plant and equipment (*Note 9)*	**247,118**	197,509
Depreciation included in general and administrative expense	**378**	573
Depreciation included in care and maintenance	**548**	609
Non-cash inventory write-down	**(1,311)**	(1,068)
Change in depreciation and depletion capitalized to inventory, capitalized stripping and construction in progress	**(9,849)**	(21,450)
Depreciation and depletion expense	**$ 236,884**	$ 176,173

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

Below is a reconciliation of additions in investing cash-flows in the consolidated statement of cash-flows to the Mineral Properties, Plant and Equipment (Note 9):

	Year ended December 31, **2023**	Year ended December 31, 2022
Additions / expenditures on mining interests *(Note 9)*	**(820,987)**	(671,471)
Lease additions *(Note 13)*	**69,497**	37,996
Changes in working capital and other items *(i)*	**73,221**	50,322
Expenditures on mining interests *(ii)*	**$ (678,269)**	$ (583,153)

i. The changes in working capital relate to the movement in accounts payable and prepayments related primarily to capital expenditures on the MVDP.
ii. Includes $61.5 million of capitalized finance costs for the year ended December 31, 2023.

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

	Year ended December 31, **2023**	Year ended December 31, 2022
Mineral properties, plant and equipment addition for change in estimate of reclamation and closure cost obligations *(Note 9)*	**$ 6,741**	$ 13,955
Amortization of mining equipment capitalized to deferred stripping assets	**(6,584)**	5,355
Fair value of stock options allocated to share capital upon exercise	**(1,267)**	1,553
Fair value of TSUP units allocated to share capital upon exercise	**(204)**	—
Business combination with Mantos (*Note 5*)	**—**	1,592,679

23. Capital Management

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

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

The RCF and MVDP debt facility contain various affirmative, financial and restrictive covenants, including: interest coverage ratios, leverage ratios, other financial ratios and obligations to maintain the security interests in favour of the lenders over substantially all of the respective project's property and shares, insurance coverage, maintenance of off-take agreements, compliance with environmental and social matters, restrictions on new financial indebtedness, distributions and dispositions, as well as effecting certain hedging strategies as detailed in the lending agreement. As at December 31, 2023, the Company was in compliance with the covenants and requirements of the RCF and MVDP debt facility.

24. Commitments

Royalty Agreements

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

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

Agreement with Osisko Bermuda Limited ("Osisko")

Pursuant to a long-term streaming agreement made in 2015, that covers the life of mine, the Company delivers 100% of the payable silver sold by Mantos Blancos to Osisko Bermuda Limited ("Osisko"). Osisko pays a cash price of 8% of the spot price at the time of each delivery, in addition to an upfront acquisition price previously paid. After 19.3 million ounces of silver have been delivered under the agreement, the stream will be reduced to one-third. Mantos Blancos has delivered 5.6 million silver ounces since contract inception until December 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") and expect to deliver into the commitments by the end of 2024.

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 2024.

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

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

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

MMC agreed to provide a $60 million COF in exchange for additional off-take of copper concentrate production under a 10-year contract. The off-take agreement includes Mantoverde agreeing to sell 30% of its annual copper production per year delivered for its equivalent in copper concentrates, plus an additional amount of 30,000 tonnes of copper concentrate as a result of fully utilizing the COF that was provided by MMC in connection with the MVDP. The agreement between MMC and Mantoverde to sell 30% of its annual copper production is for the duration of the Mantoverde commercial mine life. The amount payable for copper is based on average LME prices, subject to certain terms (Note 12).

Other

The Company has contractual agreements extending until 2026 and 2033 to purchase water for operations at Mantoverde and Mantos Blancos, respectively.

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 also entered into a contractual agreement for access to a power transmission plant for the Santo Domingo project, for a period of 12 years from the date the transmission facility construction was completed, in Q4 2023.

The Company has contractual arrangements at Mantos Blancos and Mantoverde for the purchase of 420,000 tonnes of acid in 2024. Additionally, the Company has committed to purchase 100,000 tonnes of acid in both 2025 and 2026.

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

25. Other Expense

Details are as follows:

	Year ended December 31, **2023**	2022
Collective bargaining costs	**$ (8,930)**	$ (6,605)
Gold stream obligation	**(7,100)**	—
Provision for Minto receivable	**(5,000)**	—
Restructuring costs	**(2,307)**	(4,161)
Mantos integration costs	**—**	(3,401)
Care and maintenance expense	**(924)**	(924)
Other expense	**(6,941)**	(5,351)
	$ (31,202)	$ (20,442)

As part of the Company's sale of its previously-owned Minto mine to Pembridge Resources PLC ("Pembridge") in 2019, the Company was to receive up to $20 million in staged payments. The final $5 million, which was due in series of payments to be collected by mid-2024, was outstanding at the time the Minto mine ceased operations and has been deemed uncollectible, and therefore was fully provided for during the year ended December 31, 2023.

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

26. Accretion Expense

Details of other non-cash interest are as follows:

	Year ended December 31,	
	2023	2022
Interest accretion on deferred revenue *(Note 15)*	**$ (9,805)**	$ (10,001)
Accretion on payable on purchase of NCI *(Note 11)*	**(2,025)**	(3,528)
Accretion on asset retirement obligations	**(8,960)**	(5,554)
Accretion on leases *(i)*	**(3,134)**	(1,952)
Amortization of financing fees	**(929)**	(1,048)
Other interest (expense) income	**3,390**	(106)
	$ (21,463)	$ (22,189)

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

27. Segmented Information

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

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

	Year ended December 31, 2023						
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Santo Domingo	Other	Total
Revenue							
Copper concentrate	$ 431,559	$ 319,007	$ —	$ 193,044	$ —	$ —	$ 943,610
Copper cathode	23,409	104,557	291,279	—	—	—	419,245
Silver	6,072	1,861	—	33,400	—	—	41,333
Gold	12,907	—	—	—	—	—	12,907
Molybdenum	5,086	—	—	—	—	—	5,086
Zinc	—	—	—	252	—	—	252
Treatment and selling costs	(34,909)	(18,152)	(4,159)	(12,190)	—	—	(69,410)
Pricing and volume adjustments *(i)*	(214)	(67)	(1,047)	(586)	—	(5,598)	(7,512)
Net revenue	443,910	407,206	286,073	213,920	—	(5,598)	1,345,511
Production costs	(318,110)	(301,099)	(304,087)	(90,706)	—	—	(1,014,002)
Royalties	(1,606)	(6,058)	—	(3,561)	—	—	(11,225)
Depletion and amortization	(78,381)	(69,162)	(59,473)	(30,253)	—	—	(237,269)
Income (loss) from mining operations	45,813	30,887	(77,487)	89,400	—	(5,598)	83,015
General and administrative expenses	(143)	—	—	(117)	(126)	(25,733)	(26,119)
Exploration expenses	(4)	—	—	(78)	(23)	(4,856)	(4,961)
Share-based compensation expense	—	—	—	—	—	(19,005)	(19,005)
Income (loss) from operations	45,666	30,887	(77,487)	89,205	(149)	(55,192)	32,930
Realized and unrealized gains (losses) on derivative instruments	—	—	2,717	—	—	358	3,075
Other (expense) income - net	(540)	(10,116)	(6,264)	(2,092)	(7,095)	(64,805)	(90,912)
Net finance (costs) income	(3,628)	(6,798)	(843)	(8,999)	(2,001)	(13,827)	(36,096)
Income (loss) before income taxes	41,498	13,973	(81,877)	78,114	(9,245)	(133,466)	(91,003)
Income tax (expense) recovery	(3,324)	(23,169)	5,109	(24,898)	—	12,559	(33,723)
Total net income (loss)	$ 38,174	$ (9,196)	$ (76,768)	$ 53,216	$ (9,245)	$(120,907)	$ (124,726)
Mineral properties, plant & equipment additions	$ 103,266	$ 111,357	$ 529,168	$ 39,848	$ 36,243	$ 1,105	$ 820,987

i. Included in pricing and volume adjustments are realized and unrealized gains (losses) on the Company's quotational pricing copper contracts.
ii. Intersegment sales and transfers are eliminated in the table above. For the year ended December 31, 2023, intersegment revenue for Cozamin and the Other segment was $13.3 million and $1.3 million (2022 - $13.5 million and $1.3 million), respectively.

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

	Year ended December 31, 2022						
	Pinto Valley	Mantos Blancos	Mantoverde	Cozamin	Santo Domingo	Other	Total
Revenue							
Copper concentrate	$ 473,221	$ 219,929	$ —	$ 198,058	$ —	$ —	$ 891,208
Copper cathode	22,810	101,890	316,994	—	—	—	441,694
Silver	4,936	1,317	—	27,667	—	—	33,920
Molybdenum	4,815	—	—	—	—	—	4,815
Zinc	—	—	—	2,673	—	—	2,673
Gold	1,809	—	—	—	—	—	1,809
Treatment and selling costs	(36,636)	(19,500)	(4,544)	(11,506)	—	—	(72,186)
Pricing and volume adjustments	2,679	3,633	2,978	129	—	(17,328)	(7,909)
Net revenue	473,634	307,269	315,428	217,021	—	(17,328)	1,296,024
Production costs	(300,565)	(215,484)	(317,041)	(69,970)	—	—	(903,060)
Royalties	(2,076)	(4,478)	—	(3,623)	—	—	(10,177)
Depletion and amortization	(84,195)	(38,953)	(35,369)	(16,474)	—	—	(174,991)
Income (loss) from mining operations	86,798	48,354	(36,982)	126,954	—	(17,328)	207,796
General and administrative expenses	(579)	—	—	(105)	(113)	(25,447)	(26,244)
Exploration expenses	—	(241)	(1,455)	(69)	(71)	(7,742)	(9,578)
Share-based compensation expense	—	—	—	—	—	(31,756)	(31,756)
Income (loss) from operations	86,219	48,113	(38,437)	126,780	(184)	(82,273)	140,218
Unrealized and realized gain on derivative instruments	—	—	109,468	—	—	1,619	111,087
Other (expense) income - net	(1,916)	6,110	(11,860)	(447)	(841)	(20,820)	(29,774)
Net finance costs	(2,861)	(4,087)	(1,730)	(8,582)	(2,132)	(8,418)	(27,810)
Income (loss) before income taxes	81,442	50,136	57,441	117,751	(3,157)	(109,892)	193,721
Income tax (expense) recovery	(4,479)	(12,229)	(10,976)	(35,025)	—	5,127	(57,582)
Total net income (loss)	$ 76,963	$ 37,907	$ 46,465	$ 82,726	$ (3,157)	$(104,765)	$ 136,139
Mineral properties, plant & equipment additions	113,244	104,600	352,758	73,561	27,293	15	671,471

	As at December 31, 2023						
	Pinto Valley	**Mantos Blancos**	**Mantoverde**	**Cozamin**	**Santo Domingo**	**Other**	**Total**
Mineral properties, plant and equipment	**$ 758,846**	**$1,008,874**	**$ 2,803,818**	**$ 259,245**	**$ 453,908**	**$ 1,566**	**$5,286,257**
Total assets	**$ 876,456**	**$1,133,560**	**$ 3,018,904**	**$ 302,805**	**$ 490,671**	**$ 51,519**	**$5,873,915**
Total liabilities	**$ 232,368**	**$ 337,665**	**$ 1,358,651**	**$ 109,055**	**$ 18,415**	**$ 751,639**	**$2,807,793**

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

28. Subsequent Events

On February 1, 2024, the Company and Orion Fund JV Limited, Orion Mine Finance Fund II LP and Orion Mine Finance (Master) Fund I-A LP (collectively, "Orion") jointly announced that they entered into an agreement with a syndicate of underwriters led by RBC Capital Markets, as Lead Bookrunner and including National Bank Financial and Scotiabank as Joint Bookrunners (collectively, the "Underwriters") pursuant to which the Underwriters agreed to purchase, on a bought deal basis from the Company and Orion, a total of 59,520,000 common shares of Capstone ("Common Shares") at a price of C$6.30 per Common Share (the "Offering Price"), for aggregate gross proceeds of C$375.0 million (the "Offering"). The Company granted the Underwriters an option, exercisable in whole or in part at any time up to 30 days after the closing of the Offering, to purchase up to an additional 8,928,000 Common Shares from the Company at the Offering Price (the "Over-Allotment Option") which, if exercised in full, would increase the aggregate gross proceeds of the Offering to C$431.2 million. The Offering closed on February 8, 2024.

In connection with the Offering, 56,548,000 Common Shares were issued by the Company for gross proceeds to the Company of C$356.3 million and 11,900,000 were sold by Orion for gross proceeds of C$75.0 million. The Company did not receive any proceeds from the secondary sale, which have been paid directly to Orion.

Annexure B Consolidated Financial Statements of Capstone Copper Corp. 31 December 2022

CAPSTONE COPPER

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

Management's Report

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

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

(Signed) John MacKenzie	*(Signed) Raman Randhawa*
Chief Executive Officer & Director	*Senior Vice President & Chief Financial Officer*

Vancouver, British Columbia, Canada
February 17, 2023

Independent Auditor’s Report

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

Opinion

We have audited the consolidated financial statements of Capstone Copper Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matter

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

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

Key Audit Matter Description

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

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

How the Key Audit Matter Was Addressed in the Audit

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

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

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
February 17, 2023

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

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

Commitments *(Note 23)*

See accompanying notes to these consolidated financial statements.

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

	2022	2021
Revenue *(Note 18)*	**$ 1,296,024**	$ 794,769
Operating costs		
Production costs	**(903,060)**	(334,454)
Royalties	**(10,177)**	(7,946)
Depletion and amortization	**(174,991)**	(91,925)
Earnings from mining operations	**207,796**	360,444
General and administrative expenses	**(26,244)**	(19,531)
Exploration expenses *(Note 8)*	**(9,578)**	(3,061)
Impairment reversal on mineral properties *(Note 8)*	**—**	92,392
Share-based compensation expense *(Note 17)*	**(31,756)**	(74,011)
Income from operations	**140,218**	356,233
Other income (expense)		
Foreign exchange gain (loss)	**2,066**	(1,794)
Realized and unrealized gains (loss) on derivative instruments *(Note 5)*	**111,087**	(309)
Gain on extinguishment of debt *(Note 13)*	**8,035**	—
Transaction costs *(Note 4)*	**(19,433)**	(3,259)
Other (expense) income *(Note 24)*	**(20,442)**	1,623
Interest on long-term debt and surety bonds	**(5,621)**	(3,739)
Other non-cash interest expense *(Note 25)*	**(22,189)**	(14,974)
Income before income taxes	**193,721**	333,781
Income tax expense *(Note 15)*	**(57,582)**	(80,916)
Net income	**$ 136,139**	$ 252,865

Net income attributable to:		
Shareholders of Capstone Copper Corp.	**$ 122,199**	$ 226,829
Non-controlling interest *(Note 11)*	**13,940**	26,036
	$ 136,139	$ 252,865

Net earnings per share		
Earnings per share - basic *(Note 19)*	**$ 0.20**	$ 0.56
Weighted average number of shares - basic *(Note 19)*	**625,434,676**	405,800,210
Earnings per share - diluted *(Note 19)*	**$ 0.19**	$ 0.55
Weighted average number of shares - diluted *(Note 19)*	**630,179,251**	414,093,484

See accompanying notes to these consolidated financial statements.

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

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

See accompanying notes to these consolidated financial statements.

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

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

See accompanying notes to these consolidated financial statements.

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

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

See accompanying notes to these consolidated financial statements.

1. Nature of Operations

The accompanying consolidated financial statements have been prepared as at December 31, 2022, after giving effect to the business combination between Capstone Mining Corp. ("Capstone Mining") and Mantos Copper (Bermuda) Ltd. ("Mantos") which was completed on March 23, 2022 (the "Transaction") (Note 4). After the Transaction, the combined entity changed its name to Capstone Copper Corp. (the "Company" or "Capstone Copper"). The Company is listed on the Toronto Stock Exchange.

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

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

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

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

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

2. Basis of preparation and consolidation

a) Basis of preparation and consolidation

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

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

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

Business combination between Capstone and Mantos (Note 4)

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

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

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

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

b) Use of estimates and judgments

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

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

i. *Economic recoverability and probability of future economic benefits of mineral exploration, evaluation and development costs*

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

ii. *Assessment of impairment and impairment reversal indicators*

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

iii. Functional currency

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

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

iv. Financial instruments

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

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

i. Estimated reclamation and closure costs

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

ii. Share-based compensation

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

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

iii. Income taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

vii. *Deferred stripping*

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

viii. *Mineral exploration and development properties*

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

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

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

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

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

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

ix. Plant and equipment

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

x. Construction in progress

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

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

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

Depletion and amortization is computed using the following rates:

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

xii. Borrowing costs

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

xiii. *Impairment of long-lived assets*

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

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

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

xiv. *Income taxes*

Current tax

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

Deferred tax

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

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

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

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

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

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

xv. Taxes receivable

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

xvi. Embedded derivatives

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

xvii. Derivatives

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

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

xviii. Compound instruments

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

xix. Financial instruments

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

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

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

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

xx. Impairment and uncollectibility of financial assets

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

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

xxi. Deferred revenue

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

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

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

xxii. Leases

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

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

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

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

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

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

xxiii. Reclamation and closure cost obligations

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

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

xxiv. *Provisions*

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

xxv. *Share capital*

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

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

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

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

xxvi. *Share-based payments*

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

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

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

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

xxvii. Revenue recognition

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

xxviii. Earnings per share

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

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

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

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

In May 2020, the International Accounting Standards Board ("IASB") issued an amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The amendment clarifies that the costs of fulfilling a contract when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling the contract. The amendment became effective January 1, 2022 and applies to contracts existing at the date when the amendments are first applied. On adoption of this amendment, the Company assessed the impact of the amendment and determined it does not have a significant effect on the Company's financial statements.

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

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

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

4. Business Combination Between Capstone and Mantos

Description of the Transaction

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

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

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

The determination of the fair value of assets acquired and liabilities assumed was previously reported based on the preliminary estimates at the Acquisition Date and subject to change for up to one year from the Acquisition Date. The Company has completed a full and detailed valuation of the fair value of the net assets of Mantos acquired using the income, market and cost valuation methods with the assistance of an independent third party. As of the date of the audited annual consolidated financial statements, the allocation of purchase price with respect to the fair value increment of asset acquired and liabilities assumed have been updated to reflect new information obtained that existed at the Acquisition. The Company has finalized its full and detailed assessment of the fair value of net assets of Mantos acquired.

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

Consideration and Purchase Price Allocation

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

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

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

Allocation of Purchase Price	**Preliminary as reported March 31, 2022**	**Adjustments**	**Revised as reported December 31, 2022**
Cash and cash equivalents	$ 219,211	$ —	$ 219,211
Receivables *(i)*	118,028	11,355	129,383
Inventories	77,136	34,466	111,602
Due from related party *(ii)*	259,843	—	259,843
Mineral properties, plant and equipment	3,006,687	(98,998)	2,907,689
Other assets	36,376	(8,713)	27,663
Derivative assets	25,504	1,300	26,804
Accounts payable and accrued liabilities	(268,100)	37,254	(230,846)
Due to related party *(ii)*	(259,843)	—	(259,843)
Income taxes payable	(9,983)	—	(9,983)
Long-term debt	(354,438)	(17,204)	(371,642)
Derivative liabilities	(155,386)	—	(155,386)
Lease liabilities	(81,865)	3,719	(78,146)
Deferred income tax liabilities	(484,553)	(125)	(484,678)
Provisions	(111,409)	27,116	(84,293)
Net assets acquired before non-controlling interest	**$ 2,017,208**	**$ (9,830)**	**$ 2,007,378**
Non-controlling interest *(Note 11)*	(424,529)	9,830	(414,699)
Net assets acquired	**$ 1,592,679**	**$ —**	**$ 1,592,679**

i. Trade receivables acquired as part of the acquisition have a fair value of $63.3 million which is equal to their gross contractual value. Other receivables acquired have a fair value of $66.1 million which is equal to their gross contractual value. Trade and other receivables are expected to be collected during the next 12 months.
ii. The amounts previously due from a related party relates to a loan granted by Capstone Copper (previously Mantos Copper (Bermuda) Ltd.) to Orion Fund JV Limited, a shareholder of the Company. Amounts previously due to a related party relates to a loan granted by Orion Fund JV Ltd. to Mantos Copper Holdings SpA. These amounts were settled during June 2022 via a non-cash assignment and offset agreement.

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

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

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

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

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

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

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

5. Financial Instruments

Fair value of financial instruments

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

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

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

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

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

Level 3 – Fair values measured using inputs that are not based on observable market data.

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

As of December 31, 2022 the Company's classification of financial instruments within the fair value hierarchy are summarized below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Short-term investments	$ 1,553	$ —	$ —	$ 1,553
Copper concentrate receivables *(Note 6)*	—	72,720	—	72,720
Copper cathode receivables *(Note 6)*	—	70,814	—	70,814
Derivative assets	—	48,563	—	48,563
Investment in marketable securities *(Note 9)*	1,628	—	—	1,628
	$ 3,181	$ 192,097	$ —	**$ 195,278**
Financial liabilities				
Derivative liabilities	$ —	$ 54,488	$ —	$ 54,488
	$ —	$ 54,488	$ —	**$ 54,488**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial instruments and related risks

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

Derivative instruments

As at December 31, 2022, the Company's derivative financial instruments are composed of copper commodity swap contracts, copper zero-cost collar contracts, interest rate swap contracts, foreign currency zero-cost collars ("ZCC"), forward and swap contracts, quotational pricing contracts and share purchase warrants.

(a) Commodity Price Risk Management

As part of the Mantoverde Development Project ("MVDP") financing arrangements, Mantos was required to enter into a number of fixed-for-floating swaps to hedge LME copper prices. Under the agreements, a subsidiary of the Company has hedged a total of 32,573 metric tonnes consisting of 20,310 metric tonnes in 2023 and 12,263 metric tonnes in the first half of 2024. At December 31, 2022, the fair value of these derivatives is $(26.0) million (2021 - $nil).

In addition, the Company entered into fixed-for-floating swaps for 37,375 metric tonnes for 2023 at average price of $3.64/lb. The Company also entered into zero cost collar ("ZCC") contracts whereby it sold a series of call options contracts and purchased a series of put option contracts for $nil cash premium consisting of 27,500 metric tonnes in 2023. At December 31, 2022, the fair value of these derivatives is $(16.9) million (2021 - $nil).

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

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

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

(b) Interest Rate Risk Management

The Company has exposure to interest rates, specifically the 3-month US$ London Inter-bank Offered Rate ("LIBOR") rate related to the debt financing facility associated with the MVDP and 1-month Secured Overnight Financing Rate ("SOFR") plus a margin of 1.875 - 2.75% depending on total net leverage ratio. To mitigate the risk of movements in interest rates, and in compliance with a covenant in the MVDP financing, a subsidiary of the Company entered into a fixed-for-floating LIBOR swap at 1.015% until March 2030, with a 0% floor on the LIBOR rate until September 2025. As a result of Interest Rate Benchmark Reform, it is currently expected that the Company's derivative instruments which reference LIBOR will need to be negotiated to agree on the new benchmark rate to be used. This negotiation has not yet occurred.

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

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

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

Fixed for floating swap notional represents a series of quarterly contracts, with notional amounts in line with planned quarterly balances based on expected project finance debt drawdown and expected amortization. At December 31, 2022, the fair value of the fixed-for-floating swaps and floor option derivative contracts is $48.3 million (2021 - $nil).

(c) *Foreign Currency Risk Management*

The Company operates on an international basis and therefore, foreign exchange risk exposures arise from transactions denominated in a foreign currency. The Company's foreign exchange risk arises primarily with respect to the Chilean Peso ("CLP"), the Chilean Unidad de Fometo ("UF"), the Mexican Peso ("MXN") and the Canadian dollar ("CDN"). The UF is an artificial inflation-indexed monetary unit used in Chile to denominate certain contracts. The Company's cash flows from Chilean and Mexican operations are exposed to foreign exchange risk, as commodity sales are denominated in US dollars and a certain portion of operating expenses is denominated in local currencies. As such, the group may use foreign exchange forward and swap contracts and ZCCs to mitigate changes in foreign exchange rates. As a covenant in the MVDP financing, a subsidiary of the Company, entered into contracts in February 2021 to hedge the foreign exchange risk related to the capital expenditures for the MVDP.

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

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

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

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

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

In February 2022, the Company entered into ZCCs CLP to US dollar foreign exchange option contracts covering the period from April 2022 through December 2023, representing approximately 50% of Mantoverde's and Mantos Blancos' expected CLP operating costs during this period.

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

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

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

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

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

In October 2022, the Company entered into CAD zero cost collars to US dollar foreign exchange option contracts covering the period from January through December 2023, representing approximately 75% of the expected CAD general and administrative costs during this period.

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

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

(d) Quotational pricing contracts

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

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

	Year ended December 31,	
	2022	2021
Derivative financial assets:		
Foreign currency contracts	**$ 247**	$ 76
Interest rate swap contracts	**19,734**	—
Share purchase warrants	**—**	467
Total derivative financial assets - current	**19,981**	543
Interest rate swap contracts	**28,582**	—
Total derivative financial assets - non-current	**$ 28,582**	$ —
Derivative financial liabilities:		
Foreign currency contracts	**2,073**	387
Copper commodity contracts	**32,888**	—
Quotational pricing contracts	**9,462**	—
Total derivative financial liabilities - current	**$ 44,423**	$ 387
Foreign currency contracts	**46**	—
Copper commodity contracts	**10,020**	—
Total derivative financial liabilities - non-current	**$ 10,066**	$ —

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

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

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

Valuation methodologies for Level 2 financial instruments

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

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

Valuation methodologies for Level 3 financial instruments

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

Commodity price risk

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

Credit risk

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

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

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

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

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

Foreign exchange risk

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

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

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

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

Liquidity risk

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

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

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

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

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

Interest rate risk

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

6. Receivables

Details are as follows:

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

7. Inventories

Details are as follows:

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

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

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

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

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

8. Mineral Properties, Plant and Equipment

Details are as follows:

	Mineral properties			Plant and equipment			
	Depletable		Non-depletable	Subject to amortization		Not subject to amortization	
	Producing mineral properties	Deferred stripping	Mineral exploration and development properties	Plant & equipment	Right of use assets	Construction in progress	Total
At January 1, 2022, net	$ 413,573	$ 89,245	$ 411,154	$ 293,938	$ 14,622	$ 88,338	$ 1,310,870
Business combination with Mantos *(Note 4)*	1,264,631	—	378,856	496,931	71,821	695,450	2,907,689
Additions	67,711	80,406	53,251	3,512	37,996	428,595	671,471
Disposals	—	—	(135)	(30)	—	—	(165)
Rehabilitation provision adjustments *(Note 16)*	13,955	—	—	—	—	—	13,955
Reclassifications	23,943	—	(23,901)	325,156	(9,186)	(316,012)	—
Depletion and amortization	(74,656)	(32,088)	—	(67,255)	(23,510)	—	(197,509)
At December 31, 2022, net	$ 1,709,157	$ 137,563	$ 819,225	$ 1,052,252	$ 91,743	$ 896,371	$ 4,706,311
At December 31, 2022:							
Cost	$ 2,130,178	$ 247,491	$ 819,225	$ 2,665,873	$ 186,355	$ 896,371	$ 6,945,493
Accumulated amortization and impairment	(421,021)	(109,928)	—	(1,613,621)	(94,612)	—	(2,239,182)
Net carrying amount	$ 1,709,157	$ 137,563	$ 819,225	$ 1,052,252	$ 91,743	$ 896,371	$ 4,706,311

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

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

The Company's exploration costs were as follows:

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

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

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

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

Mineral property impairment reversal

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

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

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

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

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

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

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

9. Other Assets

Details are as follows:

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

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

10. Other Liabilities

Details are as follows:

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

11. Non-Controlling Interest

Mitsubishi Materials Corporation ("MMC")

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

In addition to the contingent arrangement, MMC agreed to provide a $60 million Cost Overrun Facility ("COF") in exchange for additional off-take of copper concentrate production under a 10-year contract. The COF carries an interest rate of LIBOR plus 1.70% and amortizing over 37 quarters from the earlier of September 30, 2024 or three quarters after project completion. As at December 31, 2022, the COF was fully drawn. As a result of Interest Rate Benchmark Reform, it is currently expected that the COF which references LIBOR will need to be negotiated to agree on the new benchmark rate to be used. This negotiation has not yet occurred.

The off-take agreement includes Mantoverde agreeing to sell 30% of its annual copper production per year delivered for its equivalent in copper concentrates, plus an additional amount per annum of 20,000 to 30,000 tonnes of copper concentrate depending on the amount that is drawn by Mantoverde under the COF provided by MMC in connection with the MVDP. The agreement between MMC and Mantoverde to sell 30% of its annual copper production is for the duration of Mantoverde's commercial mine life. The amount payable for copper is based on average LME prices, subject to certain terms (Note 23).

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

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

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

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

Purchase of Non-Controlling Interest from KORES

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

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

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

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

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

Details of the purchase price allocation are as follows:

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

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

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

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

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

12. Lease Liabilities

Details are as follows:

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

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

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

Undiscounted lease payments:

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

13. Long-Term Debt

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

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

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

Mantoverde Development Project Facility

Mantoverde secured $572 million in debt financing facility to fund the construction of the MVDP. The debt facility comprises a senior secured amortizing project debt facility in an aggregate amount of $520 million (the “Covered Facility” $250 million, the “Uncovered Facility” $210 million, and the “ECA Direct Facility” $60 million) and a $52 million senior secured mine closure bonding facility (the “Bonding Facility”). These project finance facilities are subject to affirmative, financial and restrictive covenants that include obligations to maintain the security interests in favour of the lenders over substantially all of the respective project’s property and shares, insurance coverage, maintenance of off-take agreements, compliance with environmental and social matters, restrictions on new financial indebtedness, distributions and dispositions, and compliance with certain financial ratios. As at December 31, 2022, the Company was in compliance with these covenants.

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

Interest on borrowings under the MVDP Facility is payable quarterly at a variable rate of 3-month US$ LIBOR plus a margin per annum (i.e., 1.65% for the Covered Facility and, with respect to the Uncovered Facility, a rate of 3.75% and with respect to the ECA Direct Facility, a rate of 4.00% pre-completion of the MVDP, and decreasing to 3.50% and 3.75% respectively post-completion of the MVDP). Pursuant to the Covered Facility, an export credit agency guaranteed premium of 2.05% per annum is also payable quarterly and calculated over amounts outstanding under the Covered Facility. The MVDP is secured by a comprehensive security package covering substantially all of Mantoverde's assets. These facilities amortize from the earlier of September 30, 2024 and 180 days after project completion. The Uncovered Facility amortizes over a 10 year period and the Covered Facility and ECA Direct Facility amortize over 12 years. As a result of Interest Rate Benchmark Reform, it is currently expected that the MVDP facility which references LIBOR will need to be negotiated to agree on the new benchmark rate to be used. This negotiation has not yet occurred.

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

Revolving Credit Facility

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

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

The RCF in effect as of December 31, 2022 is secured against the present and future real and personal property, assets and undertakings of Capstone Copper (other than defined excluded entities, Acquisition Co., Far West Mining Ltd., Minera Santo Domingo SCM, Capstone Resources MSD Ltd., FWM Exploration (Chile) Ltd., and Far West Exploration S.A., Mantoverde Holding SpA, Mantoverde S.A., Mantos Copper Delaware LLC and subject to certain exclusions for Capstone Mining Chile SpA).

The credit facility requires Capstone to maintain certain financial ratios relating to debt and interest coverage. Capstone was in compliance with these covenants as at December 31, 2022. As at December 31, 2022, the balance of the RCF was $71.6 million (December 31, 2021 - $nil).

Details of the balance are as follows:

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

As at December 31, 2022, there were seven surety bonds totaling $223.3 million to support various reclamation obligation bonding requirements. This comprises $167.5 million securing reclamation obligations at Pinto Valley, $4.0 million provided as security as part of a power supply agreement at Pinto Valley, $1.9 million related to the construction of a port for the Santo Domingo development project in Chile, $22.4 million at Mantoverde, and $27.5 million at Mantos Blancos, respectively, securing reclamation obligations.

Mantos Blancos Concentrator Development Project Debt Facility

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

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

14. Deferred Revenue

Silver Precious Metals Purchase Arrangement ("Silver PMPA")

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

The Company recorded the upfront cash consideration received of $150 million as deferred revenue and recognizes amounts in revenue as silver is delivered under the Silver PMPA. Capstone determines the amortization of deferred revenue to the consolidated statements of income on a per unit basis using the estimated total number of silver ounces expected to be delivered over the life of the Cozamin mine. The amortization rate requires the use of proven and probable mineral reserves and certain mineral resources which management is reasonably confident will be transferred to mineral reserves. The Company estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months. During the year ended December 31, 2022, the Company delivered 593,062 ounces (2021 - 755,699 ounces) of silver to Wheaton under the Silver PMPA.

Gold Precious Metals Purchase Arrangement ("Gold PMPA")

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

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

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

	Silver PMPA	Gold PMPA	Total
Balance, December 31, 2020	$ —	$ —	$ —
Additions	150,000	30,000	180,000
Non-cash finance costs	7,000	1,360	8,360
Recognized as revenue on delivery of silver and gold	(17,456)	—	(17,456)
Variable consideration adjustment	966	—	966
Balance, December 31, 2021	**$ 140,510**	**$ 31,360**	**$ 171,870**
Non-cash finance costs	**7,869**	**2,132**	**10,001**
Recognized as revenue on delivery of silver and gold	**(12,885)**	**—**	**(12,885)**
Balance, December 31, 2022	**$ 135,494**	**$ 33,492**	**$ 168,986**

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

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

Details of the deferred revenue balance are as follows:

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

15. Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The composition of the deferred tax expense is as follows:

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

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

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

The summary of unrecognized deductible temporary differences is as follows:

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

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

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

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

16. Provisions

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

Details of changes in the balances are as follows:

	Reclamation & closure cost obligations	Other long-term provisions	Share-based payment obligations	Total
Balance, January 1, 2022	**$ 129,249**	**$ 3,714**	**$ 78,265**	**$ 211,228**
Acquisitions - Business combination with Mantos *(Note 4)*	**58,914**	**25,379**	**—**	**84,293**
Share-based payment expense *(Note 17)*	**—**	**—**	**26,716**	**26,716**
Change in estimates	**8,648**	**1,928**	**—**	**10,576**
Interest expense from discounting obligations	**5,554**	**2,639**	**—**	**8,193**
Settlements during the year	**(2,411)**	**(2,090)**	**(63,253)**	**(67,754)**
Currency translation adjustments	**(215)**	**(1,641)**	**(1,264)**	**(3,120)**
Balance, December 31, 2022	**$ 199,739**	**$ 29,929**	**$ 40,464**	**$ 270,132**
Less: Current portion of share-based payment obligations included within other liabilities *(Note 10)*	**—**	**—**	**(30,497)**	**(30,497)**
Total provisions - non-current	**$ 199,739**	**$ 29,929**	**$ 9,967**	**$ 239,635**
Balance, January 1, 2021	$ 115,996	$ 3,565	$ 30,507	$ 150,068
Share-based payment expense (recovery) *(Note 17)*	—	—	72,063	72,063
Change in estimates	13,148	652	—	13,800
Interest expense from discounting obligations	670	—	—	670
Payments during the year	(112)	(28)	(23,912)	(24,052)
Currency translation adjustments	(453)	(475)	(393)	(1,321)
Balance, December 31, 2021	$ 129,249	$ 3,714	$ 78,265	$ 211,228
Less: Current portion of share-based payment obligations included within other liabilities *(Note 10)*	—	—	(50,140)	(50,140)
Total provisions - non-current	$ 129,249	$ 3,714	$ 28,125	$ 161,088

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

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

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

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

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

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

17. Share Capital

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

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

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

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

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

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

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

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

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

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

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

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

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

Other share-based compensation plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Share-based compensation expense

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

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

18. Revenue

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

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

Customer details are as follows:

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

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

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

19. Earnings Per Share

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

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

20. Related Party Balances and Transactions

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

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

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

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

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

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

Compensation of Key Management Personnel

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

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

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

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

21. Supplemental Cash Flow Information

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

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

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

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

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

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

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

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

22. Capital Management

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

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

The RCF and MVDP debt facility contain various affirmative, financial and restrictive covenants, including: interest coverage ratios, leverage ratios, other financial ratios and obligations to maintain the security interests in favour of the lenders over substantially all of the respective project's property and shares, insurance coverage, maintenance of off-take agreements, compliance with environmental and social matters, restrictions on new financial indebtedness, distributions and dispositions, as well as effecting certain hedging strategies as detailed in the lending agreement. As at December 31, 2022, the Company was in compliance with the covenants and requirements of the RCF and MVDP debt facility.

23. Commitments

Royalty Agreements

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

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

Agreement with Osisko Bermuda Limited ("Osisko")

Pursuant to a long-term streaming agreement made in 2015, that covers the life of mine, the Company delivers 100% of the payable silver sold by Mantos Blancos to Osisko Bermuda Limited ("Osisko"). Osisko pays a cash price of 8% of the spot price at the time of each delivery, in addition to an upfront acquisition price previously paid. After 19.3 million ounces of silver have been delivered under the agreement, the stream will be reduced to one-third. Mantos Blancos has delivered 4.6 million silver ounces since contract inception until December 31, 2022.

Agreement with Jetti Resources, LLC (“Jetti”)

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

Off-take agreements

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

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

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

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

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

MMC agreed to provide a $60 million COF in exchange for additional off-take of copper concentrate production under a 10-year contract. The off-take agreement includes Mantoverde agreeing to sell 30% of its annual copper production per year delivered for its equivalent in copper concentrates, plus an additional amount per annum of 20,000 to 30,000 tonnes of copper concentrate depending on the amount that is drawn by Mantoverde under the COF provided by MMC in connection with the MVDP. The agreement between MMC and Mantoverde to sell 30% of its annual copper production is for the duration of Mantoverde's commercial mine life. The amount payable for copper is based on average LME prices, subject to certain terms (Note 11).

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

Minto surety bond indemnification

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

Other

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

The Company has contractual agreements for the purchase of power for operations at Mantos Blancos and Mantoverde, extending until 2028 and 2039, respectively.

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

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

24. Other Expense (Income)

Details are as follows:

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

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

25. Finance Costs

Details of other non-cash interest are as follows:

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

26. Segmented Information

The Company is engaged in mining, exploration and development of mineral properties, and has operating mines in the US, Chile and Mexico. The Company has six reportable segments as identified by the individual mining operations of Pinto Valley (US), Mantos Blancos (Chile), Mantoverde (Chile), Cozamin (Mexico), as well as the Santo Domingo development project (Chile) and Other. The business combination with Mantos was completed on March 23, 2022, therefore no results for the Mantos Blancos and Mantoverde segments are reflected in the prior period comparative figures. Early stage exploration, other and corporate operations are reported in the Other segment. Intercompany revenue and expense amounts have been eliminated within each segment in order to report on the basis that management uses internally for evaluating segment performance. Total assets and liabilities do not reflect intercompany balances, which have been eliminated on consolidation. Segments are operations reviewed by the CEO, who is considered to be the chief operating decision maker.

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

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

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

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

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

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

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

27. Contingencies

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

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