

# Capstone Copper Reports Second Quarter 2022 Results

08.08.2022 | [Business Wire](#)

All amounts in US\$ unless otherwise indicated

Capstone Copper Corp. ("Capstone" or the "Company") (TSX:CS) today announced production and financial results for the quarter ended June 30, 2022 ("Q2 2022"). Quarterly consolidated copper production totaled 45,200 tonnes at C1 cash costs<sup>1</sup> of \$2.78 per payable pound of copper produced. Link [HERE](#) for Capstone's Q2 2022 management's discussion and analysis ("MD&A") and financial statements and [HERE](#) for the webcast presentation.

John MacKenzie, CEO of Capstone commented, "Capstone delivered a solid quarter and, despite inflationary pressures that have impacted the global mining industry, we generated approximately \$115 million of adjusted EBITDA in the quarter. We are now seeing signs of declining sulphuric acid and diesel prices, and are benefitting from a weaker Chilean Peso. Our balance sheet remains strong with total expanded liquidity of \$720 million providing good flexibility for the advancement of our transformational growth pipeline. We reiterate our production and cost guidance for the year. We are pleased with construction progress at Mantoverde Development Project ("MVDP") which is currently over 60% complete, and the project remains on schedule and on budget."

## Q2 2022 OPERATIONAL AND FINANCIAL HIGHLIGHTS

- Net income of \$92.0 million, or \$0.11 per share. Adjusted net loss<sup>1</sup> of \$10.8 million or \$(0.01) per share for Q2 2022, with the main adjustments for Q2 2022 being \$114.6 million of non-cash unrealized gain on derivative contracts and \$14.0 million non-cash recovery on share-based compensation. Net income and adjusted net loss<sup>1</sup> were impacted by negative provisional pricing adjustments during the quarter related to the drop in realized copper prices<sup>1</sup> (Q2 2022: \$3.66/lb versus Q2 2021: \$4.78/lb) which amounted to \$58.3 million in losses, compared to positive gain of \$13.3 million in Q1 2022.
- Adjusted EBITDA<sup>1</sup> of \$114.7 million compared to \$128.0 million in Q2 2021, with the main adjustments being non-cash unrealized gain on derivative contracts, non-cash recovery on share-based compensation, and unrealized provisional pricing adjustments on revenue.
- Operating cash flow before changes in working capital of \$40.7 million in Q2 2022 compared to \$139.5 million in Q2 2021 which was inclusive of a \$30 million gold precious metal stream deposit. The variance is related to the decrease in copper prices, increase in operating costs, and higher cash taxes in Mexico and Chile.
- Consolidated copper production of 45,200 tonnes at C1 cash costs<sup>1</sup> of \$2.78/lb of copper produced for Q2 2022, which consisted of 13,300 tonnes at Pinto Valley, 6,400 tonnes at Cozamin, 12,400 tonnes at Mantos Blancos, and 13,100 tonnes at Mantoverde.
- Production and C1 cash costs<sup>1</sup> guidance for the nine-month period (April 1, 2022 to December 31, 2022) is re-iterated.
- In light of the recent drop in copper prices, the Company has taken the following proactive measures:
  - Capital guidance has been reduced by \$40 million mainly at Santo Domingo and Pinto Valley
  - Initiated operating cost reduction reviews at all mine sites
  - Elimination of higher cost Glencore debt facility
  - H2 2022 copper hedges in place for 36,000 tonnes with a weighted average protected price of \$3.73/lb, protecting all of the expected oxide production
  - Capital allocation focused on completion of Mantoverde Development Project ("MVDP"), future pipeline growth yet to be sanctioned post completion of various optimization studies underway
  - In addition, key input costs for acid, fuel and freight are starting to decline in Q3 2022
- On July 22, 2022, the Company closed the amendment and extension of the Capstone corporate revolving credit facility ("RCF") from \$225 million to \$500 million plus \$100 million accordion and extended the RCF by four years to May 12, 2026.
- Mantos Blancos Concentrator Debottlenecking Project ("MB-CDP") is ramping up to design capacity to achieve targeted throughput rates and recoveries in Q3 2022.

- Mantoverde Development Project remains on schedule and on budget. Major construction is progressing well on the primary crusher, concentrate thickener and tie-in of the water desalination plant. Procurement, contracts and engineering are over 99% complete, with manufacturing and fabrication approximately 95% complete. Overall project completion was 60% as of the end of July 2022.
- Mantoverde-Santo Domingo ("MV-SD") District Integration Plan will outline the approach Capstone Copper is taking to maximize value creation (including synergies) across the district. The integration plan will describe the optimized flowsheet during the Chile analyst tour and Investor Day during the week of November 14th.

<sup>1</sup> These are alternative performance measures. Refer to the section entitled "Alternative Performance Measures" in the Cautionary Notes

## OPERATIONAL OVERVIEW

Refer to Capstone's Q2 2022 MD&A and Financial Statements for detailed operating results.

	Q2 2022	Q2 2021	2022 YTD	2021 YTD
Copper production (000s tonnes)				
Sulphides business				
Pinto Valley	13.3	13.4	27.7	29.9
Cozamin	6.4	6.3	12.3	11.4
Mantos Blancos	8.7	-	9.4	-
Total sulphides	28.4	19.6	49.4	41.3
Cathode business				
Mantos Blancos	3.7	-	4.0	-
Mantoverde <sup>2</sup>	13.1	-	14.3	-
Total cathodes	16.8	-	18.3	-
Consolidated production	45.2	19.6	67.7	41.3
Copper sales				
Copper sold (000s tonnes)	45.5	19.6	71.0	41.9
Realized copper price <sup>1</sup> (\$/pound)	3.66	4.78	4.06	4.43
C1 cash costs <sup>1</sup> (\$/pound) produced				
Sulphides business				
Pinto Valley	2.82	2.33	2.70	2.12
Cozamin	1.25	0.99	1.19	0.96
Mantos Blancos	2.49	-	2.52	-
Total Sulphides	2.36	1.91	2.29	1.80
Cathode business				
Mantos Blancos	3.67	-	3.72	-

Mantoverde <sup>2</sup>	3.40	-	3.42	-
Total cathodes	3.46	-	3.49	-
Consolidated C1 Cash Costs <sup>1</sup>	2.78	1.91	2.62	1.80

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

#### Consolidated Production

Q2 2022 copper production was 130% higher than Q2 2021 primarily as a result of including a full quarter of production for the Mantos Blancos and Mantoverde mines.

2022 YTD consolidated production of 67,700 tonnes of copper is higher than the 41,300 tonnes in 2021 YTD, primarily as a result of the addition of Mantos Blancos and Mantoverde mines production.

2022 YTD C1 cash costs<sup>1</sup> of \$2.62/lb are a mix of sulphide and cathode business units compared to 2021 which was predominately sulphide production. Cathode production is from copper oxide ore that requires sulphuric acid leaching, solvent extraction, and electrowinning (SX-EW) to produce copper cathodes which is a finished copper product for the market. Sulphide production requires a mill that utilizes a grinding and flotation process to recover sulphide minerals in a copper concentrate saleable as an intermediate product to smelters and refiners. Capstone's low-cost sulphide production is growing significantly with full production from Mantos Blancos expected in Q3 2022 and with the Mantoverde Development Project completion and ramp-up late next year. The cathode business unit was impacted by record high sulphuric acid prices in Q2 but costs are expected to ease through H2 as acid prices are currently declining along with other raw inputs.

#### Pinto Valley Mine

Copper production of 13,300 tonnes in Q2 2022 was consistent with Q2 2021 mainly due to lower throughput during the quarter (Q2 2022 \ 46,821 tpd versus Q2 2021 49,170) as a result of plant maintenance and repairs on the tailings thickeners, and offset by slightly higher grades (Q2 2022 - 0.34% versus Q2 2021 - 0.33%).

2022 YTD production was 7% lower than the same period last year primarily attributed to slightly lower grades (2022 YTD - 0.33% versus 2021 YTD - 0.34%), lower recoveries (2022 YTD - 85.0% versus 2021 YTD - 86.9%) as well as lower mill throughput (52,585 tpd in 2022 YTD versus 53,608 tpd in 2021 YTD). The lower grade versus the same period last year is a function of the mining sequence, the grade will improve slightly over the remainder of the year as well as the mill throughput.

Q2 2022 C1 cash costs<sup>1</sup> of \$2.82/lb in Q2 2022 were higher than Q2 2021 of \$2.33/lb primarily due to increases in operating costs (\$0.38/lb), and increases in treatment and refining costs (\$0.13/lb).

2022 YTD C1 cash costs<sup>1</sup> of \$2.70/lb were \$0.58/lb higher compared to the same period last year of \$2.12/lb primarily due to decreased payable copper production (\$0.17/lb), increased operating costs due to inflationary pressures on diesel, power, grinding media; and higher spend on rental equipment, mining equipment tools, contractors and dust suppression (\$0.31/lb) and an increase in treatment and refining costs (\$0.11/lb).

#### Cozamin Mine

Copper production of 6,400 tonnes was 2% higher in Q2 2022 than in Q2 2021 as a result of higher throughput of 3,874 tpd, and higher grades (1.88% versus 1.86%). The optimized technical report plan is delivering higher grades in 2022, and the higher throughput is a result of upgrades to the mill that occurred in Q1 2022.

2022 YTD production was 8% higher than the same period last year and attributed to the higher mining rates

as the mine uses the availability of the Calicanto ramp increasingly compared to the prior year and higher throughput as a result of upgrades to the mill in Q1 2022 (3,789 in 2022 YTD versus 3,588 in 2021 YTD), higher grades (2022 YTD - 1.86% versus 2021 YTD - 1.83%).

Q2 2022 C1 cash costs<sup>1</sup> were 25% higher than the same period last year due to increases in operating costs (\$0.23/lb) as a result of inflationary pressures on steel (grinding media), explosives, and insurance premiums, and planned higher spend on mechanical parts to increase equipment availability. There was also a decrease in by-product credits (\$0.09/lb) as a result of lower zinc production as well as lower silver production and prices.

2022 YTD C1 cash costs<sup>1</sup> were higher than the same period last year primarily due to inflationary price increases in steel (grinding media), explosives and insurance premiums, planned higher spend on mechanical parts to increase equipment availability and reliability (\$0.17/lb), lower zinc by-product credits due to planned lower zinc production, as well as lower silver prices (\$0.07/lb) and higher treatment and refining costs (\$0.03/lb), partially offset by higher copper production (-\$0.06/lb).

#### Mantos Blancos Mine

2022 YTD production (including the nine days in March 2022 after closing of the Transaction) was 13,400 tonnes, 9,400 tonnes of copper in concentrate and 4,000 tonnes of cathode. C1 cash costs<sup>1</sup> were \$2.89/lb combined, \$2.52/lb for copper in concentrate and \$3.72/lb for cathode. The sulphide cash costs are expected to decline with the ramp up of the MB-CDP to full capacity in Q3 2022 and copper cathode cash costs are currently being impacted by high cost of acid which averaged \$275/tonne delivered in Q2 2022.

#### Mantoverde Mine

2022 YTD production (including the nine days in March 2022 after closing of the Transaction) was 14,300 tonnes of copper cathode. C1 cash costs<sup>1</sup> were \$3.42/lb which were also impacted by high cost of acid.

#### Mantoverde Development Project

We expect completion of the MVDP to increase production from approximately 49,000 tonnes of copper (cathodes only) in our current guidance for the period from April to December 2022 (annualized) to 120,000 tonnes of copper (copper concentrate and cathodes) post project completion in 2024. In parallel, C1 cash costs<sup>1</sup> are expected to decrease from \$3.70/lb in current guidance for the period from April to December 2022 to between \$1.70/lb to \$1.80/lb in 2024 after project completion and ramp up. The decline in expected costs will be driven by the mine's transition to becoming a primary producer of copper concentrate. The mine will also benefit from the production of approximately 31,000 ounces of gold per year that will generate by-product credits. Upon completion of MVDP, approximately 75% of Mantoverde's production will come from the lower-cost sulphide copper.

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

As of June 30, 2022, the MVDP had achieved overall progress of 58% and construction progress of 25% and the schedule remains intact and the target for construction completion remains late 2023. Work completed in Q2 2022 includes:

- Assembly completed on first electric rope shovel; mine electrical loop available in mid-August for operational commissioning.
- Foundations for the primary crusher, stockpile reclaim, mills and floatation circuit are advancing well with earthworks on the truck shop and thickeners near completion.
- Procurement, contracts and engineering are 99% complete, with manufacturing and fabrication approximately 95% complete.
- Overall project completion was 60% as of the end of July 2022.

As of June 30, 2022, the cost of the different components of the project, including the EPC lump sum turnkey continue on track with the budget. The total project capital budget remains at \$825 million and spend to date totals \$418 million. Capstone is expected to spend an additional \$233 million in H2 2022 and the balance of \$175 million in 2023. The EPC contract total budget is approximately \$525 million of which \$263 million has been spent to date. The majority of the capital costs are fixed due to the nature of the lump sum turn-key contract with Ausenco of \$525 million or 64% of the revised capital. In addition, the major mining equipment was price fixed prior to the current inflationary environment for approximately \$140 million or 17% of the revised capital which brings the total fixed component to 81%.

## Mantoverde Phase II

Mantoverde is currently analyzing the next stage of the MVDP. Alternatives are being considered to expand the plant capacity by either the addition of a new ball mill and secondary equipment or a complete new processing line, to process part of the 77% of resources unutilized by the Phase I of the MVDP. A conceptual study will be developed during the second half of 2022 to assess the best option for the next stage of MVDP which will be incorporated into a feasibility study targeted for H2 2023.

## Mantos Blancos Concentrator Debottlenecking Project

The purpose of the MB-CDP is to increase throughput capacity at the sulphide concentrator plant from 11,000 tonnes per day ("tpd") to 20,000 tpd (or from 4.2 million tonnes per year to 7.3 million tonnes per year). This will more than replace declining oxide production levels at Mantos Blancos.

The ramp-up progress continued in the quarter and the final modifications and adjustments were finalized in Q2 2022. The throughput continues to improve with the focus being sustaining throughput at targeted levels and achieving plant stability through-out the entire process.

In parallel, C1 cash costs<sup>1</sup> are anticipated to decrease from current guidance of \$2.38/lb for the period from April to December 2022 to ~\$2.00/lb in 2023 as an even greater share of Mantos Blancos' production is sourced from the Sulphide concentrator plant and improving sulphide C1 cash costs<sup>1</sup> on higher throughput.

## Mantos Blancos Phase II

Mantos Blancos is currently analyzing the potential to increase the throughput of the Mantos Blancos sulphide concentrator plant from 7.3 million tonnes per year to 10.0 million tonnes per year using the existing (currently unused/underutilized) ball mills and process equipment. As part of the Mantos Blancos Phase II Project we are also evaluating the potential to extend the life of copper cathode production. A pre-feasibility study on the Mantos Blancos Phase II Project was completed in Q2 2022 which will be incorporated into an Advanced Basic Engineering Study in Q4 2022.

## Santo Domingo

Since closing of the Transaction, the Santo Domingo team has been integrated into the larger Capstone Copper team in Chile. The integrated project team is focused on identifying and evaluating the optimal integrated development plan for the Mantoverde-Santo Domingo district. The Mantoverde operation is located approximately ~35km southwest of the Santo Domingo project. The Company expects the integrated district plan to study alternatives and identify the best path forward to develop the copper (sulphides and oxides), gold, iron, and cobalt across both properties. An integrated development approach is likely to maximize potential synergies associated with the proximity of Santo Domingo to the existing Mantoverde operation, existing infrastructure (including a desalination plant, roads, power, and pipelines), and integration of other assets, such as the Santo Domingo port contract with Puerto Abierto S.A. and the rail option currently being assessed for products/supply transportation.

The potential synergies the Company expects to be maximized through an optimal integrated district development plan include the following:



1. Infrastructure synergies (including desalination plant, power, pipelines, port)
2. Integrated mine and process approach
3. Construction and supply chain synergies
4. Cobalt and sulphuric acid enhancements
5. Enabling revenue lines for Mantoverde cobalt and magnetite
6. Using excess solvent extraction and electrowinning ("SX-EW") capacity

The revenue-enhancing opportunities include using excess electrowinning capacity at Mantoverde to potentially process both Santo Domingo oxide material and additional low-grade sulphides enabled by Jetti catalytic leach technologies which Capstone Copper has been first to implement at Pinto Valley. An updated base Santo Domingo feasibility study including district integration synergies will be released in H2 2023.

Santo Domingo contains oxide mineralization, which is located above the sulphide ore body and is part of the Santo Domingo and Iris Norte pre-stripping material. During Q2 2022, the Company continued with the exploration program, which is expected to be completed in Q3 2022. Preliminary metallurgical test results suggest the possibility to process Santo Domingo's oxides at Mantoverde's existing SX-EW plant. The results of the oxide drill program including an optimized flowsheet will be incorporated into an updated Santo Domingo feasibility study to be released in H1 2024.

#### Mantoverde-Santo Domingo Cobalt Feasibility Study Update

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

The cobalt recovery process consists of a concentration step, an oxidation step, and a cobalt recovery step. The concentration step considers a conventional froth flotation circuit treating copper flotation tails to produce a cobaltiferous pyrite concentrate. For the base case, the pyrite concentrate, which contains between 0.5% and 0.7% Co, is oxidized in a fluidized bed roaster to produce a cobalt calcine and a concentrated sulphuric acid by-product. The calcine is then subjected to various leaching, precipitation, solvent extraction and crystallization steps to produce battery grade cobalt sulphate heptahydrate. Capstone is also evaluating alternatives that may include the direct sale of some or all the cobalt as intermediate product, such as mixed hydroxide precipitate, to a partner, JV or an independent third-party refiner. At an expected 4.7 thousand tonnes of cobalt production per year from Santo Domingo plus expected additional tonnage from Mantoverde, this would be one of the largest and lowest cost cobalt producers in the world. Additional benefits of this project include the generation of carbon-free energy from waste heat emitted by the roaster, and the production of by-product sulphuric acid which can be used for heap or dump leaching to produce low-cost copper cathodes at Mantoverde, Mantos Blancos or sold to other consumers within the district.

Along the same timeline (Q4 2022) we intend to release an updated cobalt resource for Santo Domingo, as well as an initial cobalt resource for Mantoverde. The full updated cobalt feasibility study will be released in H1 2024.

Project development costs related to early works as required by the Environmental Permit to include flora and fauna relocation, basic and detailed engineering, land tenure costs, the industrial water pipeline and relocation of Regional Highway C-17. During Q3 2021, the Capstone Mining commenced major earthworks with respect to the C17 highway by-pass road which provides site access, and work on the electrical substation connection. Also, Capstone Copper has begun brownfield expansion drilling between the Santo Domingo and Iris Norte Pits.

#### PV4 Study

During the quarter, work progressed on the pre-feasibility study ("PFS") for PV4 which aims to maximize the conversion of approximately one billion tonnes of mineral resources to mineral reserves, significantly extending Pinto Valley's mine life and increasing the mine's copper production profile. The PV4 study is focused on modest expansion of existing mill throughput to a range of 65,000 to 70,000 tpd with an extended life of mine. The PV4 study is expected to be released in H1 2023. The application of the following new

technologies and innovation is being considered:

- Expansion of the use of Jeti catalytic leach technology which has the potential to increase mill cut-off grades and increase tonnage available for leaching. Column leach and test heap work are ongoing and the results will be included in the PV4 Study. An expanded dump leach strategy would translate to higher grades sent to the mill for processing and increased copper cathode production by expanding dump leach tonnage.
- Pyrite Agglomeration, with strong positive environmental, social and governance ("ESG") implications as it would divert acid-generating minerals including pyrite and chalcopyrite from tailings to the dump leach operation. Additional copper recovery and lower costs via the generation of acid would be key economic drivers for this project.

## Corporate Exploration Update

Cozamin exploration: The focus during Q2 2022 was on testing the Mala Noche Main Vein West Target with one surface rig and one underground rig from the west exploration crosscut station. Since the 2021-2022 exploration program started, approximately 43,500 meters of drilling have been completed from 53 holes and an additional 5,500 meters of drilling from 8 holes are planned for the remainder of this year. A proposed lower elevation mine cross-cut will allow for expedited infill drilling in 2023 to inform an updated mineral resource estimate in the second quarter of 2023. Surface drill testing of other targets along strike from the San Roberto and San Rafael mine areas are also planned for 2022.

Copper Cities, Arizona: On January 20, 2022, Capstone Mining announced that it had entered into an 18-month access agreement with BHP Copper Inc. ("BHP") to conduct drill and metallurgical test-work at BHP's Copper Cities project ("Copper Cities"), located approximately 10 km east of the Pinto Valley mine. In 2022, Capstone Copper plans to spend \$6.7 million in a two-phase drill program aimed at twinning historical drill holes, and to select a portion of these for metallurgical testing. Drilling with two surface rigs is now complete with metallurgical testing underway.

Planalto, Brazil: Step-out drilling at the Planalto Iron Ore-Copper-Gold prospect in Brazil, under an earn-in agreement with [Lara Exploration Ltd.](#) ("Lara"), commenced in Q4 2021 and continued in Q2 2022. Lara is conducting the work and will report results when appropriate.

## REITERATING NINE-MONTH GUIDANCE (APRIL-DECEMBER 2022)

Production and C1 cash costs<sup>1</sup> guidance published in May 2022 is reiterated. Capital guidance has been reduced by \$40 million in relation to the recent drop in copper prices.

During the nine months from April 1, 2022 to December 31, 2022, Capstone Copper expects to produce between 136,000 and 150,000 tonnes of copper at C1 cash costs<sup>1</sup> of between \$2.55 and \$2.70 per pound payable copper produced.

### April 1 - December 31, 2022 C1 Cash Costs<sup>1</sup>

	Copper Production	(US\$ per payable lb Cu
	('000s tonnes)	Produced)
Sulphides Business		
Pinto Valley	41.0 - 45.0	\$2.45 - \$2.60
Cozamin	18.0 - 20.0	\$1.10 - \$1.25
Mantos Blancos	32.0 - 35.0	\$1.95 - \$2.10
Total Sulphides		



91.0 - 100.0



\$2.00 - \$2.15













## Cathode Business

Mantos Blancos	10.0 - 11.0	\$3.45 - \$3.60
Mantoverde*	35.0 - 39.0	\$3.60 - \$3.80
Total Cathodes	45.0 - 50.0	\$3.55 - \$3.75
Consolidated Cu Production	136.0 - 150.0	\$2.55 - \$2.70

\*Mantoverde production shown on a 100% basis

Updated Capital and Exploration Guidance (April to December 2022) is as follows:

	Pinto Valley	Mantos Blancos	Manto-verde (100%)	Cozamin	Santo Domingo	Other	Total
Capital Expenditure (\$ millions)							
Sustaining Capital <sup>1</sup>	55	20	20	25	-	-	120
Capitalized Stripping	5	55	-	-	-	-	60
Expansionary Capital <sup>1</sup>	15	20	305	35	25	-	400
Total Capital Expenditure	75	95	325	60	25	-	580
Exploration (\$ millions)							
Brownfield (Cozamin + Chile)	-	1	1	2	2	-	6
Greenfield (Brazil + Chile)	-	-	-	-	-	2	2
Greenfield (Copper Cities, AZ)	7	-	-	-	-	-	7
Total Exploration	7	1	1	2	2	2	15

As a precaution related to the drop in copper prices, we have made initial reductions and deferrals to our capital plans. Capital guidance for April to December 2022 has been reduced from \$620 million to \$580 million. The \$40 million in net reductions includes a lag in MVDP spending from 2022 to 2023 of \$25 million, a reduction of \$15 million at Santo Domingo, related primarily to reduced scope of work related to the C17 bypass and cobalt study, and reductions to sustaining capital of \$10 million at Pinto Valley. These were partially offset by an increase to the Cozamin pastefill project costs of \$10 million, primarily a result of scope changes and increases to estimated piping, raisebore and underground development costs.

Key assumptions included in the original 2022 guidance are \$280/tonne sulphuric acid prices, \$100 per barrel WTI oil price, \$24/oz silver prices and 20:1 Mexican Peso to US dollar foreign exchange rate and 800 Chilean Peso to US Dollar foreign exchange rate. Capstone is starting to see relief in input pricing assumptions including acid, fuel, freight costs plus weakening in the Chilean peso.

## FINANCIAL OVERVIEW

Please refer to Capstone's Q2 2022 MD&A and Financial Statements for detailed financial results.

(\$ millions, except per share data)

Q2 2022

Q2 2021

2022 YTD





Revenue	356.6	209.4	624.7	413.1
Net income	92.0	49.4	127.1	170.1
Net income attributable to shareholders	75.1	49.4	109.1	150.1
Net income attributable to shareholders per common share - basic (\$)	0.11	0.12	0.19	0.33
Net income attributable to shareholders per common share - diluted (\$)	0.11	0.12	0.19	0.33
Adjusted net (loss) income <sup>1</sup>	(10.8)	68.7	50.5	133.1
Adjusted net (loss) income <sup>1</sup> attributable to shareholders	(4.5)	68.7	57.1	133.1
Adjusted net (loss) income attributable to shareholders per common share - basic	(0.01)	0.17	0.10	0.33
Adjusted net (loss) income attributable to shareholders per common share - diluted	(0.01)	0.17	0.10	0.33
Adjusted EBITDA <sup>1</sup>	114.7	128.0	238.2	240.1
Cash flow from operating activities <sup>2</sup>	61.6	168.5	51.8	380.1
Cash flow (used in) from operating activities per common share <sup>1</sup> - basic (\$)	0.09	0.42	0.09	0.90
Operating cash flow before changes in working capital <sup>1, 2</sup>	40.7	139.5	111.1	380.1
Operating cash flow before changes in working capital per common share <sup>1</sup> - basic (\$)	0.06	0.35	0.20	0.90

<sup>2</sup> Q2 2021 includes \$30.0 million gold stream proceeds, 2021 YTD includes \$180.0 million silver and gold stream proceeds

	June 30, March 31, December 31, 2022		
(\$millions)	2022	2022	2021
Total assets	5,296.8	5,524.6	1,700.1
Long term debt (excluding financing fees and purchase price allocation fair value adjustments) <sup>1</sup>	441.6	348.2	-
Total non-current financial liabilities	497.1	387.1	380.1
Total non-current liabilities	1,638.7	1,554.1	480.1
Cash and cash equivalents and short-term investments	350.1	413.1	260.1
Net (debt)/cash <sup>1</sup>	(91.5)	64.9	260.1

#### CONFERENCE CALL AND WEBCAST DETAILS

Capstone will host a conference call and webcast on Monday, August 8, 2022 at 08:30 am PT/11:30 am ET.

Link to the audio webcast:

[https://produceredition.webcasts.com/starthere.jsp?ei=1558187&tp\\_key=741c22feb9](https://produceredition.webcasts.com/starthere.jsp?ei=1558187&tp_key=741c22feb9)

Dial-in numbers for the audio-only portion of the conference call are below. Due to an increase in call volume, please dial-in at least five minutes prior to the call to ensure placement into the conference line on time.

Toronto: (+1) 416-764-8650  
Vancouver: (+1) 778-383-7413

North America toll free: 888-664-6383  
Confirmation #84346483

A replay of the conference call will be available until August 15, 2022. Dial-in numbers for Toronto: (+1) 416-764-78677 and North American toll free: 888-390-0541. The replay code is 346483#. Following the replay, an audio file will be available on Capstone's website at:  
<https://capstonemining.com/investors/events-and-presentations/default.aspx>.

This release is not suitable on a standalone basis for readers unfamiliar with Capstone and should be read in conjunction with the Company's MD&A and Financial Statements for the three and six months ended June 30, 2022, which are available on Capstone's website and on SEDAR, all of which have been reviewed and approved by Capstone's Board of Directors.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Forward-looking statements relate to future events or future performance and reflect our expectations or beliefs regarding future events and the impacts of the ongoing and evolving COVID-19 pandemic. Forward-looking statements include, but are not limited to, statements with respect to the estimation of Mineral Resources and Mineral Reserves, the success of the underground paste backfill and tailings filtration projects at Cozamin, the timing and cost of the construction of the paste backfill and dry stack tailings plant at Cozamin, the success and timing of the Mantos Blancos Concentrator Debottlenecking Project, the timing and cost of the Mantoverde Development Project, the timing and results of the PV4 study, timing and success of the Jeti Technology, the successful execution of a port services agreement with Puerto Abierto S.A., the expected reduction in capital requirements for the Santo Domingo project, the timing and success of the Cobalt Study for Santo Domingo, the timing and results of the integrated plan for Mantoverde - Santo Domingo, the realization of Mineral Reserve estimates, the timing and amount of estimated future production, the costs of production and capital expenditures and reclamation, the budgets for exploration at Cozamin, Santo Domingo, Pinto Valley, Mantos Blancos, Mantoverde and other exploration projects, the timing and success of the Copper Cities project, the success of our mining operations, the continuing success of mineral exploration, the estimations for potential quantities and grade of inferred resources and exploration targets, our ability to fund future exploration activities, our ability to finance the Santo Domingo project and other current or future projects and expansions, environmental risks, unanticipated reclamation expenses and title disputes, the success of the synergies and catalysts related to the Transaction, and the anticipated future production, costs of production including the cost of sulphuric acid and oil and other fuel, capital expenditures and reclamation of the Company's operations and development projects. The potential effects of the COVID-19 pandemic on our business and operations are unknown at this time, including Capstone Copper's ability to manage challenges and restrictions arising from COVID-19 in the communities in which Capstone Copper operates and our ability to continue to safely operate and to safely return our business to normal operations. The impact of COVID-19 to Capstone Copper is dependent on a number of factors outside of our control and knowledge, including the effectiveness of the measures taken by public health and governmental authorities to combat the spread of the disease, global economic uncertainties and outlook due to the disease, supply chain delays resulting in lack of availability of supplies, goods and equipment, and evolving restrictions relating to mining activities and to travel in certain jurisdictions in which we operate.

In certain cases, forward-looking statements can be identified by the use of words such as "anticipates", "approximately", "believes", "budget", "estimates", "expects", "forecasts", "guidance", "intends", "plans", "scheduled", "target", or variations of such words and phrases, or statements that certain actions, events or results "be achieved", "could", "may", "might", "occur", "should", "will be taken" or "would" or the negative of these terms or comparable terminology. In this document certain forward-looking statements are identified by words including "anticipated", "expected", "guidance" and "plan". By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, amongst



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

## COMPLIANCE WITH NI 43-101

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

Disclosure Documents include the National Instrument 43-101 compliant technical reports titled "NI 43-101

Technical Report on the Cozamin Mine, Zacatecas, Mexico" effective October 31, 2020, "NI 43-101 Technical Report on the Pinto Valley Mine, Arizona, USA" effective March 31, 2021, "Santo Domingo Project, Region III, Chile, NI 43-101 Technical Report" effective February 19, 2020, and "Mantos Blancos Mine NI 43-101 Technical Report Antofagasta / Región de Antofagasta, Chile" and "Mantoverde Mine and Mantoverde Development Project NI 43-101 Technical Report Chañaral / Región de Atacama, Chile", both effective November 29, 2021.

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

#### Alternative Performance Measures

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

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

#### C1 Cash Costs Per Payable Pound of Copper Produced

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

#### All-in Sustaining Costs Per Payable Pound of Copper Produced

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

#### Net debt / Net cash

Net debt / Net cash is a performance measure used by the Company to assess its financial position and is composed of Long-term debt (excluding deferred financing costs), Cash and cash equivalents and Short-term investments.

## Available Liquidity

Available liquidity is a performance measure used by the Company to assess its financial position and is composed of RCF credit capacity, Cash and cash equivalents and Short-term investments. Available liquidity excludes undrawn portions of committed funding arrangements at the mine or project level as these amounts can only be drawn on a periodic basis in line with the contractual arrangements and are for use on development project capital. Because of these limitations on availability and flexibility, we do not include these undrawn amounts in "Available liquidity". For clarity, Available liquidity does not include undrawn amounts on the \$520 million Mantoverde DP facility, the Mantoverde \$60 million cost overrun facility from MMC, nor the \$260 million undrawn portion of the Gold stream from Wheaton related to the Santo Domingo project.

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

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

## Adjusted Net Income

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

## EBITDA

EBITDA is net income attributable to shareholders before net finance expense, tax expense, and depletion and amortization.

## Adjusted EBITDA

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

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

## Sustaining Capital

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

## Expansionary Capital

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

## Realized copper price (per pound)

Realized price per pound is a non-GAAP ratio that is calculated using the non-GAAP measures of revenue

on new shipments, revenue on prior shipments and provisional pricing changes. Realized prices exclude the effects of the stream cash effects as well as TC/RCs. Management believes that measuring these prices enables investors to better understand performance based on the realized copper sales in the current and prior period.

View source version on businesswire.com: <https://www.businesswire.com/news/home/20220808005194/en/>

#### Contact

Jerrold Annett, SVP, Strategy and Capital Markets  
647-273-7351  
[jannett@capstonecopper.com](mailto:jannett@capstonecopper.com)

Kettina Cordero, Director Investor Relations & Communications  
604-262-9794  
[kcordero@capstonecopper.com](mailto:kcordero@capstonecopper.com)

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