

February 15, 2017

Capstone Mining 2016 Financial Results

(All amounts in US\$ unless otherwise specified)

Vancouver, British Columbia - Capstone Mining Corp. (“Capstone” or the “Company”) (TSX: CS) today announced its financial results for the three months and year ended December 31, 2016. For the three months ended December 31, 2016, operating cash flow before changes in working capital¹ was \$75.0 million or \$0.20 per share, with a net loss of \$182.4 million and adjusted net income of \$30.7 million or \$0.08 per share after adjusting for certain non-cash and non-recurring charges. Copper production totalled 29,900 tonnes (28,800 tonnes of payable copper) at a C1 cash cost¹ of \$1.26 per payable pound produced with copper sales of 29,600 tonnes at a C1 cash cost¹ of \$1.24 per payable pound sold.

For the full year ended December 31, 2016, operating cash flow before changes in working capital¹ was \$156.9 million or \$0.41 per share, with a net loss of \$197.4 million and adjusted net income of \$29.4 million or \$0.08 per share after adjusting for certain non-cash and non-recurring charges. Copper production totalled 114,600 tonnes (110,700 tonnes of payable copper) at a C1 cash cost¹ of \$1.44 per payable pound produced with copper sales of 110,500 tonnes at a C1 cash cost¹ of \$1.53 per payable pound sold.

Capstone will hold a conference call and webcast on Thursday, February 16, 2017 at 11:30 a.m. Eastern time (8:30 a.m. Pacific time) to discuss these results; call-in details and information on associated slides are provided at the end of this release. This release should be read in conjunction with Capstone’s consolidated financial statements and management’s discussion and analysis (“MD&A”) for the year ended December 31, 2016, which are available on Capstone’s website at <http://capstonemining.com/investors/financial-reporting/default.aspx> and on SEDAR. An updated corporate presentation, including results to December 31, 2016, and 2016 year-end webcast slides will also be available at <http://capstonemining.com/investors/events-and-presentations/default.aspx>.

Overview

	Q4 2016	Q4 2015	2016	2015
Revenue (\$ millions)	163.0	92.1	529.4	420.5
Copper produced (tonnes)	29,853	25,691	114,583	92,577
Payable copper produced (tonnes)	28,828	24,781	110,663	89,341
C1 cash cost per payable pound produced ¹ (\$/lb)	1.26	1.81	1.44	1.99
All-in cost per payable pound produced ¹ (\$/lb)	1.77	2.67	1.88	2.88
Fully-loaded all-in cost per payable pound produced ¹ (\$/lb)	1.85	2.67	1.98	2.85
Copper sold (tonnes)	29,558	22,322	110,450	87,521
Realized copper price per pound sold (\$/lb)*	2.48	2.05	2.27	2.35
Adjusted realized copper price per pound sold (\$/lb)**	2.35	2.26	2.28	2.43
C1 cash cost per payable pound sold ¹ (\$/lb)	1.24	1.82	1.53	2.00
All-in cost per payable pound sold ¹ (\$/lb)	1.74	2.78	1.97	2.92
Fully-loaded all-in cost per payable pound sold ¹ (\$/lb)	1.82	2.78	2.07	2.89
Net loss (\$ millions)	(182.4)	(19.5)	(197.4)	(251.5)
Net loss attributable to shareholders (\$ millions)	(125.4)	(19.3)	(140.0)	(202.7)
Net loss attributable to shareholders per common share (\$)	(0.33)	(0.05)	(0.37)	(0.53)
Adjusted net income (loss) ¹ (\$ millions)	30.7	(8.0)	29.4	(31.9)
Adjusted net income (loss) ¹ attributable to shareholders (\$ millions)	30.9	(7.8)	30.0	(30.4)
Adjusted net income (loss) ¹ attributable to shareholders per common share (\$)	0.08	(0.02)	0.08	(0.08)
Operating cash flow before changes in working capital ¹ (\$ millions)	75.0	12.5	156.9	60.0
Operating cash flow before changes in working capital per common share ¹ (\$)	0.20	0.03	0.41	0.16
Cash and cash equivalents (\$ millions)	130.4	101.6	130.4	101.6
Net debt ¹ (\$ millions)	198.6	247.9	198.6	247.9

* Q4 2016 includes a negative provisional pricing adjustment of \$0.1 million (2015 – negative \$4.2 million) related to prior shipments, equivalent to \$0.00 per pound (2015 – \$(0.09) per pound) of copper sold during the quarter. YTD includes a negative provisional pricing adjustment of \$12.7 million (2015 – negative \$25.8 million) related to prior shipments, equivalent to \$(0.05) per pound (2015 – \$(0.13) per pound) of copper sold during the year. ** Q4 2016 adjusted realized copper price includes the provisional pricing adjustments noted above and realized loss of \$8.5 million (2015 gain – \$10.1 million) equivalent to \$(0.13) per pound (2015 gain – \$0.21 per pound) related to copper derivative contracts exercised during the quarter. YTD includes a realized gain of \$3.3 million (2015 – \$15.9 million) equivalent to \$0.01 per pound (2015 – \$0.08 per pound) related to copper derivative contracts exercised during the year.



“Our strong operating performance in 2016 exceeded guidance, setting records at Pinto Valley, Minto and for Capstone as a whole,” said Darren Pylot, President and CEO of Capstone. “All three of our mines generated positive net earnings, with throughput success at Pinto Valley and processing of high grade Minto North ore being key drivers in 2016.”

“Despite a challenging copper price environment for most of the year, we generated operating cash flow of \$156.9 million, allowing us to reduce our debt by \$40 million,” continued Mr. Pylot. “We anticipate taking full advantage of additional free cash flow to further reduce our debt over the coming quarters.”

“Our year end results included a non-cash write-down of our Santo Domingo project based on lower forecast iron prices,” continued Mr. Pylot. “The project does however, continue to have considerable optionality in a rising market.”

Financial and Production Highlights for the Quarter Ended December 31, 2016

- Net loss of \$182.4 million included:
 - Income from mining operations of \$55.8 million,
 - Realized copper price of \$2.48 per pound
 - Production costs included a \$2.0 million non-cash charge related to the write-down of inventory (primarily supplies) at the Pinto Valley, Minto and Cozamin mines,
 - A non-cash impairment charge of \$189.2 million related to mineral property, plant and equipment at Santo Domingo,
 - A commodity derivative loss of \$29.9 million, comprising a realized loss of \$8.5 million and unrealized losses of \$21.4 million,
 - An income tax expense of \$1.9 million.
- Operating cash flow before changes in working capital¹ was \$75.0 million or \$0.20 per share.
- Working capital increased to \$171.1 million at December 31, 2016 (which included \$130.4 million of cash and cash equivalents) from \$162.4 million at December 31, 2015.
- Produced a total of 28,828 tonnes of payable copper at an estimated C1 cash cost¹ of \$1.26 per pound of payable copper produced and fully-loaded all-in cost¹ of \$1.85 per pound of payable pound copper produced.
- Revenue of \$163.0 million generated primarily from the sale of 29,557 tonnes of payable copper.

Financial and Production Highlights for the Year Ended December 31, 2016

- Net loss of \$197.4 million included:
 - Earnings from mining operations of \$87.7 million,
 - Realized copper price of \$2.27 per pound
 - Production costs included a \$3.4 million non-cash charge related to the write-down of inventory at the Pinto Valley, Minto and Cozamin Mines,
 - A non-cash impairment charge of \$189.2 million related to the Santo Domingo property,
 - A commodity derivative loss of \$25.6 million, comprising a realized gain of \$3.3 million combined with an unrealized loss of \$28.9 million,
 - An income tax expense of \$9.4 million.
- Operating cash flow before changes in working capital¹ of \$156.9 million or \$0.41 per common share.

1. This is an alternative performance measure; please see "Alternative Performance Measures" at the end of this release.

- Working capital increased \$8.7 million to \$171.1 million at December 31, 2016 (which included \$130.4 million of cash and cash equivalents) from \$162.4 million at December 31, 2015.
- Production of 110,663 tonnes of payable copper at a C1 cash cost¹ of \$1.44 per pound of payable copper produced and fully-loaded all-in cost¹ of \$1.98 per pound of payable pound copper produced.
- Revenue of \$529.4 million generated primarily from the sale of 110,450 tonnes of copper.

Production and Additional Highlights

Pinto Valley Mine:

- Produced 17,051 tonnes of copper during Q4 2016 at a C1 cash cost¹ of \$1.70 per pound of payable copper produced and all-in cost¹ of \$2.06 per pound of payable copper produced.
- Produced 68,850 tonnes of copper during 2016 at a C1 cash cost¹ of \$1.61 per pound of payable copper produced and all-in cost¹ of \$1.95 per pound of payable copper produced.
- Copper production at Pinto Valley exceeded expectations, with mill throughput and head grade above plan for the quarter and year. Throughput averaged 56,800 tonnes per day ("tpd") and 56,200 tpd for the fourth quarter and full year, respectively. The operation continued to demonstrate the mine's potential, achieving a new daily throughput record of over 64,000 tpd in December.

Cozamin Mine:

- Produced 4,001 tonnes of copper during Q4 2016 at a C1 cash cost¹ of \$1.40 per pound of payable copper produced and all-in cost¹ of \$2.06 per pound of payable copper produced.
- Produced 14,307 tonnes of copper during 2016 at a C1 cash cost¹ of \$1.48 per pound of payable copper produced and all-in cost¹ of \$1.88 per pound of payable copper produced.
- During 2016, Cozamin experienced a mine development shortfall resulting in lower production, however, during the second half of the year Cozamin conducted a management reorganization and a number of additional processes were implemented to improve the development rates. Development rates continued to improve through the second half of the year (7,725 meters H2 2016 vs. 5,880 meters H1 2016).
- During Q4 2016, Cozamin achieved the revised target production due to a better than planned average head grade of 1.63% copper offset by lower than planned mill throughput.

Minto Mine:

- Produced 8,801 tonnes of copper during Q4 2016 at a C1 cash cost¹ of \$0.33 per pound of payable copper produced, which included \$0.11 per pound of cost allocated from stockpile that was spent in prior periods, bringing the actual cash expended during Q4 2016 to \$0.22 per pound of payable copper produced and all-in cost¹ of \$0.43 per payable pound of copper produced.
- Produced 31,426 tonnes of copper during 2016 at a C1 cash cost¹ of \$1.03 per pound of payable copper produced, which included \$0.03 per pound of cost allocated from stockpile that was spent in prior periods, bringing the actual cash expended during 2016 to \$1.00 per pound of payable copper produced and all-in cost¹ of \$1.12 per payable pound of copper produced.
- Copper production for the quarter met expectations while full year throughput, grade and recoveries all exceeded plan. In the fourth quarter the mill processed stockpiles, supplemented by underground mining.
- Produced 39,506 ounces of gold contained in copper concentrate, and 11,675 ounces of gold contained in gold concentrate, for a total of 51,181 ounces produced during 2016. Under the terms of the Precious Metal Stream Agreement with Silver Wheaton, Capstone receives market rates for 50% of gold produced in excess of 30,000 ounces in a twelve-month period. We exceeded this threshold during Q4 and as a result Capstone is entitled to sell 8,320 ounces of gold at market rates. 5,100 of these ounces were sold in Q4 2016 and the remaining 3,220 ounces are expected to be sold in H1 2017.

Additional highlights:

- On January 13, 2017 a second repayment of \$20.0 million was made on the RCF, reducing the outstanding balance to \$308.9 million. At the same time, Capstone chose to permanently reduce the credit available under the RCF from \$420 million to \$400 million. This payment was in addition to a \$20.0 million payment and permanent credit reduction made in Q4 2016. The combination of this lower commitment and the strong debt coverage ratio at December 31, 2016 resulted in the Company achieving the second lowest tier on the RCF pricing grid with interest rates of LIBOR plus 2.75% and stand-by fees of 0.6188%. This will result in annualized savings of almost \$1.5 million per year in interest and stand-by fees.
- As a result of the decline in long term iron ore prices during 2016, Capstone recorded an impairment on the Santo Domingo development Copper/Iron project of \$189.2 million during Q4 2016.

Operating Outlook

Capstone's 2017 production guidance is for 94,000 tonnes ($\pm 5\%$) of copper at a C1 Cash Cost¹ of \$1.60 to \$1.70, All-In Cost¹ of \$2.15 to \$2.25 and Fully-Loaded All-In Cost¹ of \$2.20 to \$2.30, per pound of payable copper produced net of by-product and selling costs.

Capital Outlook

Capstone's 2017 capital expenditures are expected to be \$67 million, with \$35 million for sustaining capital at Pinto Valley and Cozamin, \$2 million related to PV3 permitting activities and \$30 million for capitalized stripping at Pinto Valley. An additional \$10 million is budgeted for both brownfield and greenfield exploration, however as exploration activities are discretionary they will be aligned with prevailing market conditions, financing capacity and corporate priorities.

Conference Call and Webcast Details

Date: Thursday, February 16, 2017
Time: 11:30 am Eastern Time (8:30 am Pacific Time)
Dial in: North America: 1-888-390-0546, International: +416-764-8688
Webcast: <http://event.on24.com/r.htm?e=1323771&s=1&k=AFC597F521C716D97270B033FC966280>
Replay: North America: 1-888-390-0541, International: +416-764-8677
Replay Passcode: 063291#

The conference call replay will be available until Thursday, February 23, 2017. The conference call audio and transcript will be available on Capstone's website within 48 hours of the call at <http://capstonemining.com/investors/events-and-presentations/default.aspx>.

About Capstone Mining Corp.

Capstone Mining Corp. is a Canadian base metals mining company, focused on copper. We are committed to the responsible development of our assets and the environments in which we operate. Our three producing mines are the Pinto Valley copper mine located in Arizona, US, the Cozamin copper-silver mine in Zacatecas State, Mexico and the Minto copper mine in Yukon, Canada. In addition, Capstone has two development projects; the large scale 70% owned copper-iron Santo Domingo project in Region III, Chile, in partnership with Korea Resources Corporation, and the 100% owned Kutcho copper-zinc project in British Columbia, Canada, as well as exploration properties in Chile and US. Capstone's strategy is to focus on the optimization of operations and assets in politically stable, mining-friendly regions, centred in the Americas. Our headquarters are in Vancouver, Canada and we are listed on the Toronto Stock Exchange (TSX). Further information is available at www.capstonemining.com.

1. This is an alternative performance measure; please see "Alternative Performance Measures" at the end of this release.



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Cautionary Note Regarding Forward-Looking Information

This document may contain “forward-looking information” within the meaning of Canadian securities legislation and “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking statements”). These forward-looking statements are made as of the date of this document and 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 Company management’s expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “outlook”, “guidance”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including “guidance”, “may”, “future”, “expected”, “intends” and “estimates”. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of mineral resources; possible variations in ore reserves, grade or recovery rates; accidents; assumptions related to geotechnical conditions of tailings facilities; dependence on key personnel; labour pool constraints; labour disputes; availability of infrastructure required for the development of mining projects; delays or inability to obtain governmental and regulatory approvals for mining operations or financing or in the completion of development or construction activities; counterparty risks associated with sales of our metals; increased operating and capital costs; operating in foreign jurisdictions with risk of changes to governmental regulation; impact of climatic conditions on our Pinto Valley, Cozamin and Minto operations; compliance with debt covenants, 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 management’s discussion and analysis of those statements, all of which are filed and available for review under the Company’s profile on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

National Instrument 43-101 Compliance

Unless otherwise indicated, Capstone has prepared the technical information in this news release (“Technical Information”) based on information contained in the technical reports, news releases and MD&A’s (collectively the “Disclosure Documents”) available under Capstone Mining Corp.’s company profile on SEDAR at 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.

1. This is an alternative performance measure; please see "Alternative Performance Measures" at the end of this release.



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.

The technical information in this news release ("Technical Information") 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"). The disclosure of the Technical Information contained in this news release has been reviewed and approved by Gregg Bush, P. Eng., Senior Vice President and Chief Operating Officer. Technical Information related to mineral exploration activities has been reviewed and approved by Brad Mercer, P. Geol., Senior Vice President, Exploration. Both are Qualified Persons under NI 43-101.

Alternative Performance Measures

The items marked with a "¹" are alternative performance measures and readers should refer to Alternative Performance Measures in the Company's Consolidated Management's Discussion and Analysis for the year ended December 31, 2016 as filed on SEDAR and as available on the Company's website.

Cautionary Note to United States Investors

This news release contains disclosure that has been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of US securities laws. Without limiting the foregoing, this news release may refer to technical reports that use the terms "indicated" and "inferred" resources. US investors are cautioned that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. Under US standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. US investors are cautioned not to assume that all or any part of indicated resources will ever be converted into reserves. US investors should also understand that "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of "inferred resources" will ever be upgraded to a higher category. Therefore, US investors are also cautioned not to assume that all or any part of inferred resources exist, or that they can be mined legally or economically. Accordingly, information concerning descriptions of mineralization and resources contained in this news release may not be comparable to information made public by US companies subject to the reporting and disclosure requirements of the SEC.

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