

July 26, 2016

## Capstone Mining Second Quarter 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 and six months ended June 30, 2016. Operating cash flow before changes in working capital <sup>(1)</sup> was \$21.6 million or \$0.06 per share, with a net loss of \$13.4 million and an adjusted net loss of \$7.5 million after adjusting for certain non-cash and non-recurring charges. Copper production for the quarter totalled 28,157 tonnes (27,200 tonnes of payable copper) at a C1 cash cost <sup>(1)</sup> of \$1.51 per payable pound produced with copper sales for the quarter of 22,549 tonnes at a C1 cash cost <sup>(1)</sup> of \$1.66 per payable pound sold.

**Capstone will hold a conference call and webcast on Wednesday, July 27, 2016 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 quarter ended June 30, 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 June 30, 2016, in addition to the Q2 2016 webcast slides, will also be available at <http://capstonemining.com/investors/events-and-presentations/default.aspx>.

### Overview

	Q2 2016	Q2 2015	2016 YTD	2015 YTD
<b>Revenue</b> (\$ millions)	<b>100.2</b>	<b>112.5</b>	<b>226.5</b>	<b>215.4</b>
<b>Copper produced</b> (tonnes)	<b>28,157</b>	<b>21,100</b>	<b>52,704</b>	<b>44,777</b>
<b>Payable copper produced</b> (tonnes)	<b>27,200</b>	<b>20,367</b>	<b>50,900</b>	<b>43,220</b>
<i>C1 cash cost per payable pound produced <sup>(1)</sup> (\$/lb)</i>	<i>1.51</i>	<i>2.22</i>	<i>1.61</i>	<i>2.09</i>
<i>All-in sustaining cost per payable pound produced <sup>(1)</sup> (\$/lb)</i>	<i>1.91</i>	<i>2.69</i>	<i>2.06</i>	<i>2.54</i>
<i>All-in cost per payable pound produced <sup>(1)</sup> (\$/lb)</i>	<i>1.92</i>	<i>2.98</i>	<i>2.07</i>	<i>2.99</i>
<i>Fully-loaded all-in cost per payable pound produced <sup>(1)</sup> (\$/lb)</i>	<i>2.01</i>	<i>2.92</i>	<i>2.19</i>	<i>3.01</i>
<b>Copper sold</b> (tonnes)	<b>22,549</b>	<b>20,473</b>	<b>50,534</b>	<b>40,555</b>
<i>Realized copper price per pound sold (\$/lb)*</i>	<i>2.21</i>	<i>2.67</i>	<i>2.20</i>	<i>2.57</i>
<i>Adjusted realized copper price per pound sold (\$/lb) **</i>	<i>2.21</i>	<i>2.67</i>	<i>2.28</i>	<i>2.57</i>
<i>C1 cash cost per payable pound sold <sup>(1)</sup> (\$/lb)</i>	<i>1.66</i>	<i>2.09</i>	<i>1.72</i>	<i>1.99</i>
<i>All-in sustaining cost per payable pound sold <sup>(1)</sup> (\$/lb)</i>	<i>2.13</i>	<i>2.56</i>	<i>2.17</i>	<i>2.46</i>
<i>All-in cost per payable pound sold <sup>(1)</sup> (\$/lb)</i>	<i>2.15</i>	<i>2.84</i>	<i>2.19</i>	<i>2.95</i>
<i>Fully-loaded all-in cost per payable pound sold <sup>(1)</sup> (\$/lb)</i>	<i>2.26</i>	<i>2.78</i>	<i>2.30</i>	<i>2.97</i>
<b>Net income (loss)</b> (\$ millions)	<b>(13.4)</b>	<b>1.3</b>	<b>(26.2)</b>	<b>(16.0)</b>
<i>Net income (loss) per common share (\$)</i>	<i>(0.03)</i>	<i>0.00</i>	<i>(0.07)</i>	<i>(0.04)</i>
<b>Adjusted net income (loss) <sup>(1)</sup></b> (\$ millions)	<b>(7.5)</b>	<b>1.3</b>	<b>(9.0)</b>	<b>(7.6)</b>
<i>Adjusted net income (loss) <sup>(1)</sup> per common share (\$)</i>	<i>(0.02)</i>	<i>0.00</i>	<i>(0.02)</i>	<i>(0.02)</i>
<b>EBITDA <sup>(1)</sup></b> (\$ millions)	<b>13.0</b>	<b>26.4</b>	<b>41.4</b>	<b>39.1</b>
<b>Operating cash flow before changes in working capital <sup>(1)</sup></b> (\$ millions)	<b>21.6</b>	<b>21.8</b>	<b>40.5</b>	<b>38.3</b>
<i>Operating cash flow before changes in working capital per common share <sup>(1)</sup> (\$)</i>	<i>0.06</i>	<i>0.06</i>	<i>0.11</i>	<i>0.10</i>
<b>Cash and cash equivalents</b> (\$ millions)	<b>100.2</b>	<b>97.6</b>	<b>100.2</b>	<b>97.6</b>
<b>Net debt <sup>(1)</sup></b> (\$ millions)	<b>243.9</b>	<b>202.0</b>	<b>243.9</b>	<b>202.0</b>

\* Q2 2016 includes a negative provisional pricing adjustment of \$5.8 million (2015 – negative \$0.9 million) related to prior shipments, equivalent to \$(0.12) per pound (2015 – \$(0.02) per pound) of copper sold during the quarter. 2016 YTD includes a negative provisional pricing adjustment of \$11.5 million (2015 – negative \$13.6 million) related to prior shipments, equivalent to \$(0.10) per pound (2015 – \$(0.15) per pound) of copper sold during the six month period. The Q2 2016 and 2016 YTD negative provisional pricing adjustments were predominantly related to assay adjustments. The Q2 2016 figure of \$(5.8 million) is broken down as \$0.1 million related to price adjustments and \$(5.9 million) related to assay adjustments. This translates into adjustments of \$(0.00) and \$(0.12) respectively on a per pound sold basis. The YTD Q2 2016 figure of \$(11.5 million) broken down as \$(0.2 million) related to price adjustments and \$(11.3 million) related to assay adjustments. This translates into adjustments of \$(0.00) and \$(0.10) respectively on a per pound sold basis. \*\* Q2 2016 Adjusted realized copper price includes the realized gain of \$0.2 million related to maturing forward contracts (2015 – nil). 2016 YTD Adjusted realized copper price includes the realized gain of \$9.8 million related to the put contracts the Company exercised and maturing forward contracts (2015 – nil).



"Operational performance in the second quarter was strong, with record setting production," said Darren Pylot, President and CEO of Capstone. "Costs trended down from the first quarter and our focus on operating efficiencies across the Company resulted in both C1 cash costs <sup>(1)</sup> and all-in costs <sup>(1)</sup> coming in better than planned."

"Operating cash flow for the quarter was \$21.6 million and the short term price fixing and hedging we did earlier this year protected our financial position and liquidity through the volatile commodity price environment in the first half of the year," continued Mr. Pylot.

"Improved mill reliability and consistency at Pinto Valley has demonstrated its upside potential and Minto is set up to access the high grades at Minto North, positioning us well for strong second half performance."

#### **Financial Highlights for the Three Months Ended June 30, 2016**

- Net loss of \$13.4 million or \$0.03 per common share which included:
  - Earnings from mining operations of \$2.8 million,
  - Production costs included a \$6.4 million non-cash charge related to the write-down of inventory at Minto,
  - Share-based compensation expense of \$3.1 million, driven primarily by an increase in Capstone's share price and the effect this has on the share unit liabilities,
  - \$1.4 million in current and deferred tax expense.
- Working capital decreased marginally to \$160.6 million at June 30, 2016 from \$163.4 million at March 31, 2016.

#### **Financial Highlights for the Six Months Ended June 30, 2016**

- Net loss of \$26.2 million or \$0.07 per common share which included:
  - Earnings from mining operations of \$4.8 million,
  - Production costs included a \$7.9 million non-cash charge related to the write-down of inventory at Minto and Pinto Valley,
  - Share-based compensation expense of \$5.5 million, driven primarily by an increase in Capstone's share price and the effect this has on the share unit liabilities,
  - A gain on commodity derivatives of \$3.2 million, comprising \$1.7 million on new copper forward contracts and \$1.5 million on \$2.60 copper puts, which expired in February 2016,
  - \$4.3 million in current and deferred tax expense.
- Working capital decreased marginally to \$160.6 million at June 30, 2016 from \$162.4 million at December 31, 2015.

#### **Production and Additional Highlights for the Three and Six Months Ended June 30, 2016**

Pinto Valley Mine:

- Produced 18,776 tonnes of copper in concentrates and cathode during Q2 2016 at a C1 cash cost <sup>(1)</sup> of \$1.45 per pound of payable copper produced, setting a quarterly production record.
- Produced 35,141 tonnes of copper in concentrates and cathode during 2016 YTD at a C1 cash cost <sup>(1)</sup> of \$1.54 per pound of payable copper produced.
- During Q2 2016, mill throughput continued above plan, setting a third consecutive quarterly record of 55,667 tonnes per day and contributing to lower costs on a per pound basis.
- With the mill operating at steady state and above plan since September 2015, the primary focus at Pinto Valley has been on optimizing operations. A consideration for any potential further increase in mill throughput is the availability of additional water. Capstone's goal is to determine the surplus water that

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



would potentially be available to consider low-cost expansion opportunities in the range of 10% beyond the mill throughput level currently contemplated in the PV3 pre-feasibility study (“PFS”).

#### Cozamin Mine:

- Produced 3,288 tonnes of copper in concentrates during Q2 2016 at a C1 cash cost <sup>(1)</sup> of \$1.52 per pound of payable copper produced.
- Produced 6,948 tonnes of copper in concentrates during 2016 YTD at a C1 cash cost <sup>(1)</sup> of \$1.51 per pound of payable copper produced.
- At Cozamin, production continued to be challenged by a shortfall in mine development. The mine underwent a reorganization in the quarter and a number of additional process improvements and training resources were implemented with mine development rates consistently improving.

#### Minto Mine:

- Produced 6,093 tonnes of copper in concentrates during Q2 2016 at a C1 cash cost <sup>(1)</sup> of \$1.70 per pound of payable copper produced, which excluded \$0.01 per pound of cost allocated to stockpile.
- Produced 10,615 tonnes of copper in concentrates during 2016 YTD at a C1 cash cost <sup>(1)</sup> of \$1.91 per pound of payable copper produced, which included \$0.01 per pound of cost allocated from stockpile that was spent in prior periods, bringing the actual cash expended during 2016 YTD to \$1.90 per pound of payable copper produced.
- Minto production was better than planned, led by strong mill throughput and recoveries. Mining continues to advance in the Minto North pit, with copper grades above 2% reaching the mill by early June, resulting in significantly higher production planned for the second half of the year. Underground mining continued through the second quarter and is planned to extend into Q3, to take advantage of high-grade underground ore.

### Operating Outlook

Capstone’s 2016 guidance to produce 108,000 tonnes (±5%) of copper from its Pinto Valley, Cozamin and Minto mines at a C1 cash cost <sup>(1)</sup> of \$1.45 to \$1.55 per pound of payable copper produced, an all-in cost <sup>(1)</sup> of \$1.90 to \$2.00 per pound of payable copper produced and a fully-loaded all-in cost <sup>(1)</sup> of \$2.05 to \$2.15 per pound of payable copper produced remains unchanged. However, the production distribution by mine is expected to be different than originally guided, with outperformance at Pinto Valley and Minto expected to make up for an anticipated shortfall at Cozamin for the year. Pinto Valley guidance is being increased to 66,000 tonnes of copper, Minto guidance is being increased to 28,000 tonnes of copper and Cozamin guidance is being reduced to 14,000 tonnes of copper, all ±5%. Lower costs at Pinto Valley and Minto are expected to offset higher unit costs at Cozamin so consolidated cost guidance has not changed.

### Conference Call and Webcast Details

Date: Wednesday, July 27, 2016  
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=1186432&s=1&k=A468B7DF9F7C38CB231D23E4E75DC74B>  
Replay: North America: 1-888-390-0541, International: +416-764-8677  
Replay Passcode: 301819#

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The conference call replay will be available until Wednesday, August 3, 2016. 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](http://www.capstonemining.com).

### **For further information please contact:**

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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 Capstone 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. Forward-looking statements include, but are not limited to, statements with respect to the estimation of mineral resources and mineral reserves, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production and capital expenditures, the success of our mining operations, environmental risks, unanticipated reclamation expenses and title disputes. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "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", "anticipated", "planned", "potential", "positioning" and "expected". 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, assumptions related to geotechnical condition of tailings facilities, future prices of copper and other metals, compliance with financial covenants, surety bonding, our ability to raise capital, counterparty risks associated with sales of our metals, use of financial derivative instruments and associated counterparty risks, foreign currency exchange rate fluctuations, changes in general economic conditions, 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, impact of climatic conditions on our Pinto Valley, Cozamin and Minto operations, aboriginal title claims and rights to consultation and accommodation, land

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reclamation and mine closure obligations, uncertainties and risks related to the potential development of the Santo Domingo Project, increased operating and capital costs, challenges to title to our mineral properties, 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 energy prices, competition in the mining industry, risks associated with joint venture partners, our ability to integrate new acquisitions into our operations, cybersecurity threats 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](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.

### **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](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.

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 quarter ended June 30, 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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