

(All amounts in US\$ unless otherwise specified)

VANCOUVER, Oct. 27, 2015 /CNW/ - [Capstone Mining Corp.](#) ("Capstone") (TSX: CS) today announced its financial results for the three and nine months ended September 30, 2015. Operating cash flow before changes in working capital <sup>(1)</sup> for the quarter was \$9.2 million or \$0.02 per share, with a net loss of \$216.0 million and an adjusted net loss of \$16.3 million after adjusting for certain non-cash and non-recurring charges. Copper production for the quarter totalled 22,109 tonnes (21,340 tonnes of payable copper) at a C1 cash cost <sup>(1)</sup> of \$1.98 per payable pound produced with copper sales for the quarter of 24,645 tonnes at a C1 cash cost <sup>(1)</sup> of \$2.16 per payable pound sold.

Capstone will hold a conference call and webcast on Wednesday, October 28, 2015 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 three and nine months ended September 30, 2015, 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 September 30, 2015, in addition to the Q3 2015 webcast slides, will also be available at <http://capstonemining.com/investors/events-and-presentations/default.aspx>.

Overview

	Q3 2015	Q3 2014	2015 YTD	2014 YTD
Revenue (\$ millions)	113.0	183.9	328.4	516.5
Copper produced (tonnes)	22,109	26,178	66,886	81,560
Payable copper produced (tonnes)	21,340	24,818	64,560	77,457
C1 cash cost per payable pound produced <sup>(1)</sup> (\$/lb)	1.98	1.87	2.05	1.95
Copper sold (tonnes)	24,645	29,031	65,200	80,196
Realized copper price per pound sold (\$/lb) *	2.24	2.98	2.45	3.10
Adjusted realized copper price per pound sold (\$/lb) **	2.35	2.98	2.49	3.10
C1 cash cost per payable pound sold <sup>(1)</sup> (\$/lb)	2.16	1.90	2.05	1.90
All-in sustaining cost per payable pound sold <sup>(1)</sup> (\$/lb)	2.56	2.23	2.50	2.25
All-in cost per payable pound sold <sup>(1)</sup> (\$/lb)	2.95	2.51	2.94	2.39
Fully-loaded all-in cost per payable pound sold <sup>(1)</sup> (\$/lb)	2.80	2.72	2.90	2.62
Net income (loss) (\$ millions)	(216.0)	(0.1)	(232.1)	12.0
Net earnings (loss) per common share (\$)	(0.44)	(0.00)	(0.48)	0.03
Adjusted net income (loss) <sup>(1)</sup> (\$ millions)	(16.3)	11.4	(23.9)	35.3
Adjusted net earnings (loss) <sup>(1)</sup> per common share (\$)	(0.04)	0.03	(0.06)	0.09
Adjusted EBITDA <sup>(1)</sup> (\$ millions)	19.6	70.0	70.5	191.1
Adjusted EBITDA <sup>(1)</sup> per common share (\$)	0.05	0.18	0.18	0.50
Operating cash flow before changes in working capital <sup>(1)</sup> (\$ millions)	9.2	59.0	47.6	168.8
Operating cash flow before changes in working capital per common share <sup>(1)</sup> (\$)	0.02	0.15	0.12	0.44
Cash and cash equivalents (\$ millions)	108.5	176.1	108.5	176.1
Net debt <sup>(1)</sup> (\$ millions)	216.1	121.1	216.1	121.1

\* Q3 2015 includes a negative provisional pricing adjustment of \$8.0 million (2014 &ndash; negative \$3.9 million) related to prior shipments,

equivalent to \$(0.15) per pound (2014 &ndash; \$(0.06) per pound) of copper sold during the quarter. 2015 YTD includes a negative provisional

pricing adjustment of \$21.6 million (2014 &ndash; positive \$2.5 million) related to prior shipments, equivalent to \$(0.15) per pound (2014 &ndash; \$0.01

per pound) of copper sold during the nine month period. \*\*Adjusted realized copper price includes the realized gain of \$5.7 million related

to the put contracts the Company exercised in Q3 2015.



"In the third quarter we made several key decisions to reduce spending in light of the challenging market conditions to protect our business during this cyclical downturn", said Darren Pylot, President and CEO of Capstone. "The decisions to cut operating and capital expenditures and to suspend work on the Santo Domingo project ensure that we maintain the value of our current business, while remaining in compliance with our debt covenants for the foreseeable future."

"We met our production objectives for the quarter with all operations performing extremely well going into the fourth quarter. Pinto Valley posted a monthly throughput record in September, Cozamin overcame earlier production challenges and Minto continued to outperform."

"Our financial results were meaningfully impacted by difficult market conditions. We reported a net loss for the quarter which was impacted by a non-cash charge of \$199.2 million related primarily to market condition driven impairments at Santo Domingo, Minto and Kutcho."

#### Financial Highlights for the Three Months Ended September 30, 2015

- Net loss of \$216.0 million or \$0.44 per common share which included:
  - Loss from mining operations of \$23.8 million,
  - Production costs included a \$7.6 million non-cash charge related to the write-down of inventory at both Pinto Valley and Minto,
  - A non-cash charge of \$199.2 million related primarily to the write-down of capitalized mineral property costs at Santo Domingo, Minto and Kutcho,
  - Project restructuring costs of \$2.0 million related to the Santo Domingo project,
  - A non-cash impairment of \$1.1 million against available-for-sale securities,
  - A gain on commodity derivatives of \$11.1 million, of which \$5.4 million was unrealized,
  - \$11.5 million in current and deferred tax recoveries.
- Working capital decreased to \$173.4 million at September 30, 2015 (which included \$108.5 million of cash and cash equivalents) from \$198.1 million at June 30, 2015.

#### Financial Highlights for the Nine Months Ended September 30, 2015

- Net loss of \$232.1 million or \$0.48 per common share which included:
  - Loss from mining operations of \$18.6 million,
  - Production costs included a \$17.0 million non-cash charge related to the write-down of inventory at Pinto Valley and Minto,
  - A non-cash charge of \$199.2 million related primarily to the write-down of capitalized mineral property costs at Santo Domingo, Minto and Kutcho,
  - A non-cash impairment of \$5.5 million against available-for-sale securities,
  - Operational restructuring costs of \$1.9 million related to Pinto Valley,
  - Project restructuring costs of \$2.0 million related to the Santo Domingo project,
  - Stand-by fees of \$1.3 million at Minto for reduced open pit mining rates,
  - A gain on commodity derivatives of \$18.2 million, of which \$12.5 million was unrealized,
  - \$15.4 million in current and deferred tax recoveries.

#### Operational Highlights for the Three and Nine Months Ended September 30, 2015

##### Pinto Valley Mine:

- Produced 13,979 tonnes of copper in concentrates and cathode during Q3 2015 at a C1 cash cost <sup>(1)</sup> of \$2.18 per pound of payable copper produced.
- Produced 44,054 tonnes of copper in concentrates and cathode during 2015 YTD at a C1 cash cost <sup>(1)</sup> of \$2.05 per pound of payable copper produced.
- Throughput reliability improved during Q3 2015 with significant progress made during September, when the daily throughput for the month averaged a record 52,370 tonnes per day ("tpd").
- Work continued during Q3 2015 to advance one PV3 scenario towards a Pre-Feasibility study ("PV3 PFS"). The PV3 PFS was originally targeted for completion in Q3 2015; however recent engineering work and production data indicate the potential for low cost opportunities for the mill to ramp up in excess of 52,000 tpd. As a result, Capstone will delay the completion and release of the PV3 PFS to provide the Company time to determine the highest value scenario.

##### Cozamin Mine:

- Produced 4,301 tonnes of copper in concentrates during Q3 2015 at a C1 cash cost <sup>(1)</sup> of \$1.24 per pound of payable copper produced.
- Produced 10,767 tonnes of copper in concentrates during 2015 YTD at a C1 cash cost <sup>(1)</sup> of \$1.55 per pound of payable copper produced.

- Activities related to dilution control produced a significant improvement in grade for Q3 2015 and recoveries returned to planned levels. Throughput improved each month during the quarter as the mine made good progress in catching up development and long-hole inventory shortfalls carried forward from earlier in the year. The underground drilling program to infill the Mala Noche footwall zone mineral resource is nearing completion and the Mala Noche vein west down-dip extension program has commenced.
- During Q2 2015, Cozamin received all the necessary permits for surface drilling of brownfield targets. However, this program was deferred during Q3 2015 as part of the capital expenditure reduction program, with only 4,115 metres completed of the 12,000 metre budget.

#### Minto Mine:

- Produced 3,829 tonnes of copper in concentrates during Q3 2015 at a C1 cash cost <sup>(1)</sup> of \$2.10 per pound of payable copper produced, which included \$0.15 per pound of cost allocated from stockpile that was spent in prior periods, bringing the actual cash expended during Q3 2015 to \$1.95 per pound of payable copper produced.
- Produced 12,065 tonnes of copper in concentrates during 2015 YTD at a C1 cash cost <sup>(1)</sup> of \$2.52 per pound of payable copper produced, which included \$0.22 per pound of cost allocated from stockpile that was spent in prior periods, bringing the actual cash expended during 2015 YTD to \$2.33 per pound of payable copper produced.
- The Yukon Water Board issued the Water Use Licence ("WUL") on August 5, 2015, which completes the final stage of permitting for all of the mineral reserves identified in the July 2012 Phase VI Pre-Feasibility Study. Stripping of the Minto North deposit began immediately, with first ore release expected in Q4 2015.

#### Santo Domingo Project:

- The Company's Environmental Impact Assessment ("EIA") was approved during July 2015.
- With copper and iron prices continuing to deteriorate over the summer, Capstone suspended most work on its Santo Domingo project during September, and has downsized the Santiago and Diego de Almagro offices in Chile. A decision to renew development work will be contingent on a range of factors, including a recovery in the longer term outlook for copper and iron.

#### Balance Sheet Flexibility

At the end of Q3 2015, Capstone had drawn \$328.9 million on its low cost \$440 million committed revolving credit facility ("RCF") due January 2019 and had net debt of \$216.1 million. Covenants on the RCF comprise EBITDA/Interest Expense ? 2.5:1, Senior Secured Net Debt/EBITDA of not more than 3:1 and Total Net Debt/EBITDA of not more than 4:1. As at September 30, 2015, actual EBITDA/Interest Expense was 7.4:1, Senior Secured Net Debt/EBITDA was 2.6:1 and Total Net Debt/EBITDA was 2.6:1. For covenant purposes EBITDA is calculated on a rolling 12 month average.

On September 9, 2015 Capstone announced reductions to planned 2015 capital expenditures and site operating costs, and suspended work on the Santo Domingo project to ensure greater financial flexibility. These actions, when combined with the \$2.60 copper put options on approximately half of production with pricing periods running to February 2016, place Capstone in a position to maintain the value of its current operations while remaining in compliance with all of its debt covenants at guided production and costs through 2015, with an average realized copper price of \$2.00 per pound for Q4 2015. In 2016, with the expected increases in grade at Pinto Valley and Minto as well as lower capital expenditures, the Company expects to remain in covenant compliance at an average realized copper price as low as \$2.20 per pound for the first half of the year. For the second half of the year, Capstone expects to remain in compliance down to an average realized copper price of approximately \$1.85 per pound, as the full financial benefit of processing the high grade Minto North ore is realized.

Capstone has a number of additional options to further enhance its liquidity should the market deteriorate further, including:

1. Covenant relief - Preliminary discussions with members of our RCF lending syndicate indicate there is potential to obtain temporary covenant revisions should the need arise.
2. Pre-payment financing linked to off-take commitments for copper.
3. The sale of the silver production at Cozamin beginning May 2017 (following expiry of the current stream in April 2017).

These actions could provide significant relief and allow the Company to remain in compliance with its covenants even if commodity prices deteriorated further and remained at depressed levels for an extended period. At present, the Company does not require, and has no intention of implementing these steps, but continues to monitor the market and its financial position to ensure we are positioned to manage through the cycle.

#### Production Outlook

Capstone's 2015 production guidance of 90,000 tonnes ( $\pm 5\%$ ) of copper with C1 cash cost <sup>(1)</sup> of \$1.95 to \$2.05 per pound of payable copper produced net of by-product credits and selling costs remains unchanged from the Capstone news release dated September 9, 2015.

#### Conference Call and Webcast Details

Date: Wednesday, October 28, 2015  
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=1038558&s=1&k=1254FEDB54C1081882502320EE278DC1>  
Replay: North America: 1-888-390-0541, International: +416-764-8677  
Replay Passcode: 845615#

The conference call replay will be available until Wednesday, November 11, 2015. The conference call audio and transcript will be available on Capstone's website within approximately 24 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 copper 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 copper-zinc Kutcho project in British Columbia, Canada, as well as exploration properties in Chile. Using our cash flow and strong balance sheet as a platform, Capstone's strategy is to extend the lives of our current mines with mineral resource and reserve expansions, maintain optionality on the Santo Domingo development project, prudently progress the exploration portfolio and grow through acquisitions in politically stable, mining-friendly regions. We will pace our growth with our financial capacity, ensuring we retain, as a priority, sufficient financial flexibility to meet the requirements of our existing operations and our committed development projects, while maintaining an adequate cushion to deal with market volatility and operating risks inherent in the mining industry. 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).

#### 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 Mining Corp.](#) (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 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 conversion of mineral resources to mineral reserves, 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", "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 "anticipated", "guidance", "plan", "estimated" and "expected". 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; dependence on key personnel; labour pool constraints; labour disputes; availability of infrastructure required for the development of mining projects; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; counterparty risks associated with sales of our metals; changes in general economic conditions; 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; increasing energy prices; our ability to integrate new acquisitions into our operations, 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 on SEDAR at [www.sedar.com](http://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. There can be 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.

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 Interim Management's Discussion and Analysis for the quarter ended September 30, 2015 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 U.S. securities laws. Without limiting the foregoing, this news release may refer to technical reports that use the terms "indicated" and "inferred" resources. U.S. investors are cautioned that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. Under U.S. 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. U.S. investors are cautioned not to assume that all or any part of indicated resources will ever be converted into reserves. U.S. 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, U.S. 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 U.S. companies subject to the reporting and disclosure requirements of the SEC.

(1) These are alternative performance measures; please see "Alternative Performance Measures" at the end of this release.

SOURCE [Capstone Mining Corp.](#)

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