

(All amounts in US\$ unless otherwise specified)

VANCOUVER, Oct. 25, 2016 /CNW/ - [Capstone Mining Corp.](#) ("Capstone" or the "Company") (TSX: CS) today announced its financial results for the three and nine months ended September 30, 2016. Operating cash flow before changes in working capital<sup>1</sup> for the quarter was \$41.5 million or \$0.11 per share, with net income of \$11.2 million. Copper production for the quarter totalled 32,027 tonnes (30,939 tonnes of payable copper) at a C1 cash cost<sup>1</sup> of \$1.32 per payable pound produced with copper sales for the quarter of 30,359 tonnes at a C1 cash cost<sup>1</sup> of \$1.49 per payable pound sold.

Capstone will hold a conference call and webcast on Wednesday, October 26, 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 September 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 September 30, 2016, in addition to the Q3 2016 webcast slides, will also be available at <http://capstonemining.com/investors/events-and-presentations/default.aspx>.

## Overview

	Q3 2016	Q3 2015	2016 YTD	2015 YTD
Revenue (\$ millions)	139.9	113.0	366.4	328.4
Copper produced (tonnes)	32,027	22,109	84,730	66,886
Payable copper produced (tonnes)	30,939	21,340	81,836	64,560
C1 cash cost per payable pound produced <sup>1</sup> (\$/lb)	1.32	1.98	1.50	2.05
All-in cost per payable pound produced <sup>1</sup> (\$/lb)	1.65	2.91	1.91	2.97
Fully-loaded all-in cost per payable pound produced <sup>1</sup> (\$/lb)	1.75	2.75	2.02	2.92
Copper sold (tonnes)	30,359	24,645	80,893	65,200
Realized copper price per pound sold (\$/lb)*	2.18	2.24	2.19	2.45
Adjusted realized copper price per pound sold (\$/lb) **	2.21	2.35	2.26	2.49
C1 cash cost per payable pound sold <sup>1</sup> (\$/lb)	1.49	2.16	1.63	2.05
All-in cost per payable pound sold <sup>1</sup> (\$/lb)	1.82	2.95	2.05	2.94
Fully-loaded all-in cost per payable pound sold <sup>1</sup> (\$/lb)	1.93	2.80	2.16	2.90
Net income (loss) (\$ millions)	11.2	(216.0)	(15.0)	(232.1)
Net income (loss) per common share (\$)	0.03	(0.44)	(0.04)	(0.48)
Adjusted net income (loss) <sup>1</sup> (\$ millions)	7.8	(16.3)	(1.2)	(23.9)
Adjusted net income (loss) <sup>1</sup> per common share (\$)	0.02	(0.04)	(0.00)	(0.06)
EBITDA <sup>1</sup> (\$ millions)	50.5	(185.4)	91.8	(146.5)
Operating cash flow before changes in working capital <sup>1</sup> (\$ millions)	41.5	9.2	81.9	47.6
Operating cash flow before changes in working capital per common share <sup>1</sup> (\$)	0.11	0.02	0.21	0.12
Cash and cash equivalents (\$ millions)	120.4	108.5	120.4	108.5
Net debt <sup>1</sup> (\$ millions)	224.2	216.1	224.2	216.1

\* Q3 2016 includes a negative provisional pricing adjustment of \$1.4 million (2015 &ndash; negative \$8.0 million) related to prior shipments, equivalent to \$(0.02) per pound (2015 &ndash; \$(0.15) per pound) of copper sold during the quarter. 2016 YTD includes a negative provisional pricing adjustment of \$12.9 million (2015 &ndash; negative \$21.6 million) related to prior shipments, equivalent to \$(0.07) per pound (2015 &ndash; \$(0.15) per pound) of copper sold during the nine month period. The Q3 2016 and 2016 YTD negative provisional pricing adjustments were predominantly related to assay adjustments. The Q3 2016 figure of (\$1.4 million) is broken down as (\$0.3 million) related to price adjustments and (\$1.1 million) related to assay adjustments. This translates into adjustments of (\$0.00) and (\$0.02) respectively on a per pound sold basis. The YTD Q3 2016 figure of (\$12.9 million) is broken down as (\$0.9 million) related to price adjustments and (\$12.0 million) related to assay adjustments. This translates into adjustments of (\$0.01) and (\$0.06) respectively on a per pound sold basis.\*\* Q3 2016 Adjusted realized copper price includes a realized gain of \$2.0 million related to maturing forward contracts and nil related to exercised put contracts (Q3 2015 &ndash; \$5.7 million related to exercised put contracts). 2016 YTD Adjusted realized copper price includes a realized gain of \$2.2 million related to maturing forward contracts and \$9.6 million related to exercised put contracts (2015 &ndash; \$5.7 million related to exercised put contracts).

"Operating performance in the third quarter continued to be very strong, setting throughput records at both Pinto Valley and

Minto," said Darren Pylot, President and CEO of Capstone. "In addition, we received the benefit from a full quarter of processing high grade Minto North ore."

"Our operating cash flow this quarter of \$41.5 million has de-levered our balance sheet, even in this low copper price environment, reducing our net debt by \$20 million from the second quarter to \$224 million," continued Mr. Pylot. "Subsequent to quarter end, we paid down our drawn debt by \$20 million. We anticipate taking full advantage of additional free cash flow to further reduce our debt balance over the coming quarters."

#### Financial Highlights for the Three Months Ended September 30, 2016

- Net income of \$11.2 million or \$0.03 per common share which included:
  - Earnings from mining operations of \$27.1 million,
  - Production costs included a \$6.5 million non-cash recovery related to the reversal of inventory write-downs, primarily at Minto,
  - A gain on commodity derivatives of \$1.0 million,
  - \$3.2 million in current and deferred tax expense.
- Working capital increased to \$186.1 million at September 30, 2016 from \$160.6 million at June 30, 2016, primarily due to strong cash flows generated from operating activities (\$41.1 million).

#### Financial Highlights for the Nine Months Ended September 30, 2016

- Net loss of \$15.0 million or \$0.04 per common share which included:
  - Earnings from mining operations of \$2.8 million,
  - Production costs included a \$1.4 million non-cash charge related to the write-down of inventories, primarily at Minto,
  - Share-based compensation expense of \$6.5 million, driven primarily by an increase in Capstone's share price,
  - A gain on commodity derivatives of \$4.2 million, comprising \$2.8 million on copper forward contracts entered into during Q1 2016 and \$1.5 million on \$2.60 copper puts entered into during Q2 2015, which expired in February 2016,
  - \$7.5 million in current and deferred tax expense.
- Working capital increased to \$186.1 million at September 30, 2016 from \$162.4 million at December 31, 2015 primarily due to \$74.4 million of cash flows generated from operating activities and \$15.2 million in proceeds from the exercise of commodity derivatives.

#### Production and Additional Highlights for the Three and Nine Months Ended September 30, 2016

##### Pinto Valley Mine:

- Produced 16,658 tonnes of copper in concentrates and cathode during Q3 2016 at a C1 cash cost<sup>1</sup> of \$1.69 per pound of payable copper produced.
- Produced 51,799 tonnes of copper in concentrates and cathode during 2016 YTD at a C1 cash cost<sup>1</sup> of \$1.59 per pound of payable copper produced.
- During Q3 2016, copper production continued to be strong as a result of mill throughput above plan, setting a fourth consecutive quarterly record of 57,295 tonnes per day ("tpd"), as well as achieving a monthly throughput record of 58,075 tpd in August and a daily throughput record of 63,900 tpd in September. Higher mill throughput and better than planned copper grade contributed to lower costs on a per pound basis.

##### Cozamin Mine:

- Produced 3,359 tonnes of copper in concentrates during Q3 2016 at a C1 cash cost<sup>1</sup> of \$1.50 per pound of payable copper produced.
- Produced 10,306 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.
- During Q3 2016, work continued to advance development, with daily development rates improving steadily as a result of improvements implemented throughout the year. Production was consistent with the Cozamin guidance that was revised at the end of Q2 2016.

##### Minto Mine:

- Produced 12,010 tonnes of copper in concentrates during Q3 2016 at a C1 cash cost<sup>1</sup> of \$0.76 per pound of payable copper produced.
- Produced 22,625 tonnes of copper in concentrates during 2016 YTD at a C1 cash cost<sup>1</sup> of \$1.30 per pound of payable copper produced.
- Q3 2016 production continued above plan, reaching levels projected in the increased Q2 2016 Minto guidance. Copper grade averaged 3.16% for the quarter, reflecting a full quarter of processing Minto North high grade ore. The mill recorded a quarterly throughput record, and recoveries were strong due to the lower than expected oxidized content in the Minto North ore.

- Open pit mining of the Minto North pit was completed at the end of September 2016, with the mill now processing high grade stockpile combined with underground ore. Underground mining continued through Q3 2016 and is planned to extend into July 2017, as additional areas of high-grade underground ore continue to be mined. We are currently reviewing the economics of another stage of mining in the Area 2 pit that could potentially extend operations through 2017. We continue to expect the operation will be temporarily closed in 2017 once underground mining is completed and all the ore from the remaining stockpiles is processed.

#### Additional highlights:

- Total Net Debt/EBITDA was 1.7:1 at September 30, 2016. With the Total Net Debt/EBITDA ratio falling below 2.0:1, under the revolving credit facility ("RCF") we realized a 25 basis point reduction in interest rates effective mid-October 2016 to LIBOR plus 3.00% from LIBOR plus 3.25%.
- On October 25, 2016 a repayment of \$20.0 million was made on the RCF, reducing the outstanding balance to \$328.9 million. At the same time, Capstone chose to reduce the credit available under the RCF from \$440 million to \$420 million, which further reduces the interest rate to LIBOR plus 2.75%.

#### Operating Outlook

Capstone's consolidated 2016 guidance remains unchanged. The 2016 guidance is to produce 108,000 tonnes ( $\pm 5\%$ ) of copper from its Pinto Valley, Cozamin and Minto mines at a C1 cash cost<sup>1</sup> of \$1.45 to \$1.55, an All-in cost<sup>1</sup> of \$1.90 to \$2.00 and Fully-loaded all-in cost<sup>1</sup> of \$2.05 to \$2.15 per pound of payable copper produced.

Capstone expects to finish the year at the high end of the consolidated production guidance. Consolidated C1 cash cost, All-in cost, and Fully-loaded all-in cost guidance remains unchanged, as lower costs at Pinto Valley and higher volume at Minto are expected to offset higher operating costs at Cozamin.

#### Conference Call and Webcast Details

Date: Wednesday, October 26, 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=1239352&s=1&k=8BAA23C969A4C534E3BE63477AC38ADA>

Replay: North America: 1-888-390-0541, International: +416-764-8677

Replay Passcode: 651862#

The conference call replay will be available until Wednesday, November 2, 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).

#### 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", "anticipate", "planned", "potentially", "expect", "expects" 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 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 September 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.

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

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