

(All amounts in US\$ unless otherwise specified)

VANCOUVER, July 31, 2017 /CNW/ - [Capstone Mining Corp.](#) ("Capstone" or the "Company") (TSX: CS) today announced its financial results for the three and six months ended June 30, 2017. Cash flow from operating activities for the quarter was \$4.1 million or \$0.01 per share and cash flow from operating activities before changes in working capital for the quarter was \$26.0 million or \$0.07 per share. The net income for the quarter was \$12.8 million or \$0.03 per share and adjusted net income was \$0.7 million or break-even on a per share basis after adjusting for certain non-cash and non-recurring charges. Copper production for the quarter totalled 24,002 tonnes (23,176 tonnes of payable copper) at a C1 cash cost<sup>1</sup> of \$1.75 per payable pound produced with copper sales for the quarter of 20,771 tonnes at a C1 cash cost<sup>1</sup> of \$1.74 per payable pound sold.

"Operational performance in the second quarter was on plan, with costs trending down from the first quarter," said Darren Pylot, President and CEO of Capstone. "Most importantly, Pinto Valley returned to full production, setting quarterly and monthly throughput records."

"For the second half of the year, approximately half of our production is unhedged and completely unhedged in 2018 and beyond," continued Mr. Pylot.

Overview

	Q2 2017	Q2 2016	2017	YTD 2016	YTD
Revenue (\$ millions)	115.2	100.2	243.2	226.5	
Copper produced (tonnes)	24,002	28,157	44,952	52,704	
Payable copper produced (tonnes)	23,176	27,200	43,407	50,900	
C1 cash cost per payable pound produced <sup>1</sup> (\$/lb)	1.75	1.51	1.85	1.61	
All-in cost per payable pound produced <sup>1</sup> (\$/lb)	2.10	1.92	2.35	2.07	
Fully-loaded all-in cost per payable pound produced <sup>1</sup> (\$/lb)	2.26	2.01	2.51	2.19	
Copper sold (tonnes)	20,771	22,549	42,353	50,534	
Realized copper price per pound sold (\$/lb)*	2.56	2.21	2.63	2.20	
Adjusted realized copper price per pound sold (\$/lb) **	2.40	2.21	2.42	2.29	
C1 cash cost per payable pound sold <sup>1</sup> (\$/lb)	1.74	1.66	1.72	1.72	
All-in cost per payable pound sold <sup>1</sup> (\$/lb)	2.14	2.15	2.23	2.19	
Fully-loaded all-in cost per payable pound sold <sup>1</sup> (\$/lb)	2.31	2.26	2.39	2.30	
Net income (loss) (\$ millions)	12.8	(13.4)	5.4	(26.2)	
Net income (loss) attributable to shareholders (\$ millions)	12.9	(13.2)	5.4	(25.9)	
Net income (loss) per common share (\$)	0.03	(0.03)	0.01	(0.07)	
Adjusted net income (loss) <sup>1</sup> (\$ millions)	0.7	(7.5)	(1.7)	(9.0)	
Adjusted net income (loss) <sup>1</sup> attributable to shareholders (\$ millions)	0.8	(7.3)	(1.7)	(8.8)	
Adjusted income net loss <sup>1</sup> per common share (\$)	0.00	(0.02)	(0.00)	(0.02)	
Cash flow from operating activities	4.1	1.1	26.1	33.3	
Cash flow from operating activities per common share (\$)	0.01	0.00	0.07	0.09	
Operating cash flow before changes in working capital <sup>1</sup> (\$ millions)	26.0	21.6	50.1	40.5	
Operating cash flow before changes in working capital per common share <sup>1</sup> (\$)	0.07	0.06	0.13	0.11	
Cash and cash equivalents (\$ millions)	82.4	100.2	82.4	100.2	
Net debt <sup>1</sup> (\$ millions)	216.5	243.9	216.5	243.9	

\* Q2 2017 includes a provisional pricing adjustment of \$0.2 million (2016 &ndash; negative \$5.8 million) related to prior shipments, equivalent to nil per pound (2016 &ndash; \$(0.12) per pound) of copper sold during the quarter. 2017 YTD includes a provisional pricing adjustment of \$5.4 million (2016 &ndash; negative \$11.5 million) related to prior shipments, equivalent to \$0.06 per pound (2016 &ndash; \$(0.10) per pound) of copper sold during the six month period. The Q2 2017 and 2017 YTD provisional pricing adjustments were predominantly related to assay adjustments. The Q2 2017 figure of (\$0.2 million) is broken down as \$0.6 million related to price adjustments and (\$0.4 million) related to assay adjustments. This translates into adjustments of nil and nil respectively on a per pound sold basis. The YTD Q2 2017 figure of \$5.4 million broken down as \$3.7 million related to price adjustments and \$1.7 million related to assay adjustments. This translates into adjustments of \$0.04 and \$0.02 respectively on a per pound sold basis. \*\* Q2 2017 adjusted realized copper price includes the provisional pricing adjustments noted above and realized loss of \$7.7 million (2016 gain &ndash; \$0.2 million) equivalent to \$(0.16) per pound (2016 gain - nil per pound) related to copper derivative contracts exercised during the quarter. 2017 YTD adjusted realized copper price includes the provisional pricing adjustments noted above and realized loss of \$19.3 million (2016 gain &ndash; \$9.8 million) equivalent to \$(0.21) per pound (2016 gain &ndash; 0.09 per pound) related to copper derivative contracts exercised during the period.

#### Financial Highlights for the Three Months Ended June 30, 2017

- Net income of \$12.8 million included:
  - Earnings from mining operations of \$21.1 million,
    - Realized copper price of \$2.56 per pound
    - A commodity derivative gain of \$3.8 million, comprising a realized loss of \$7.7 million combined with an unrealized gain of \$1.3 million and reversals of unrealized losses recorded in a previous period of \$10.2 million,
    - Production costs included a non-cash reversal of \$(0.7) million related to the write-down of inventory at Pinto Valley,
    - An income tax expense of \$4.5 million.
- Cash flow from operating activities of \$4.1 million or \$0.01 per common share.
- Operating cash flow before changes in working capital<sup>1</sup> of \$26.0 million or \$0.07 per common share.
- Working capital increased \$8.7 million to \$157.0 million at June 30, 2017 from \$148.3 million at March 31, 2017. Cash decreased to \$82.4 million at June 30, 2017 from \$109.4 million at March 31, 2017 largely as a result of a \$10.0 million debt repayment made in April, 2017 and \$9.0 million in payments made related to the commodity derivatives during Q2'17.
- Production of 23,176 tonnes of payable copper at a C1 cash cost<sup>1</sup> of \$1.75 per pound of payable copper produced and fully-loaded all-in cost<sup>1</sup> of \$2.26 per pound of payable pound copper produced.
- Revenue of \$115.2 million generated primarily from the sale of 20,771 tonnes of copper.

#### Financial Highlights for the Six Months Ended June 30, 2017

- Net income of \$5.4 million or \$0.01 per common share which included:
  - Earnings from mining operations of \$48.1 million,
    - Production costs included a non-cash charge of \$0.4 million related to the write-down of inventory at Pinto Valley,
    - A commodity derivative loss of \$10.1 million, comprising a realized loss of \$19.4 million, an unrealized loss of \$6.0 million and reversals of unrealized losses recorded in a previous period of \$15.3 million.
    - \$8.4 million in current and deferred income tax expense.
- Cash flow from operating activities of \$26.1 million or \$0.07 per common share.
- Operating cash flow before changes in working capital<sup>1</sup> of \$50.1 million or \$0.13 per common share.
- Working capital decreased \$14.1 million to \$157.0 million at June 30, 2017 from \$171.1 million at December 31, 2016. Cash decreased to \$82.4 million at June 30, 2017 from \$130.4 million at December 31, 2016 largely as a result of \$30.0 million in debt repayments and \$19.3 million in payments made related to the commodity derivatives during 2017 YTD.
- Production of 43,407 tonnes of payable copper at a C1 cash cost<sup>1</sup> of \$1.85 per pound of payable copper produced and fully-loaded all-in cost<sup>1</sup> of \$2.51 per pound of payable pound copper produced.
- Revenue of \$243.2 million generated primarily from the sale of 42,353 tonnes of copper.

#### Production and Additional Highlights for the Three and Six Months Ended June 30, 2017

##### Pinto Valley Mine:

- Produced 15,491 tonnes of copper during Q2 2017 at a C1 cash cost<sup>1</sup> of \$1.84 per pound of payable copper produced and all-in cost<sup>1</sup> of \$2.17 per pound of payable copper produced.
- Produced 26,791 tonnes of copper during 2017 YTD at a C1 cash cost<sup>1</sup> of \$1.98 per pound of payable copper produced and all-in cost<sup>1</sup> of \$2.42 per pound of payable copper produced.
- At Pinto Valley, throughput averaged 58,700 tonnes per day ("tpd") for the quarter, setting a quarterly throughput record as well as achieving a new monthly throughput record in May of 60,350 tpd. Grade, recoveries and production were as planned for the quarter.

##### Cozamin Mine:

- Produced 4,106 tonnes of copper during Q2 2017 at a C1 cash cost<sup>1</sup> of \$1.19 per pound of payable copper produced and all-in cost<sup>1</sup> of \$1.73 per pound of payable copper produced.

- Produced 8,236 tonnes of copper during 2017 YTD at a C1 cash cost<sup>1</sup> of \$1.26 per pound of payable copper produced and all-in cost<sup>1</sup> of \$1.84 per pound of payable copper produced.
- At Cozamin, grade and recoveries were as expected, with throughput continuing ahead of plan with ongoing improvement in mine production and mine development.
- On April 4, 2017, the precious metal streaming arrangement with [Wheaton Precious Metals Corp.](#) (formerly Silver Wheaton Corp.) expired. After this date, the full silver by-product credit is earned by Cozamin resulting in an increase to by-product credits of \$0.23 per payable pound of copper produced in Q2 2017 vs. Q2 2016.

#### Minto Mine:

- Produced 4,406 tonnes of copper during Q2 2017 at a C1 cash cost<sup>1</sup> of \$1.93 per pound of payable copper produced and all-in cost<sup>1</sup> of \$1.95 per payable pound of copper produced.
- Produced 9,926 tonnes of copper during 2017 YTD at a C1 cash cost<sup>1</sup> of \$2.00 per pound of payable copper produced and all-in cost<sup>1</sup> of \$2.03 per payable pound of copper produced.
- At Minto, production for the quarter was impacted by mine sequencing changes to support a mine life extension. Throughput continued higher than planned, but head grade and recoveries were lower than originally guided due to a higher percentage of partially oxidized ore feeding the mill from the Area 2, Stage 3 open pit and underground mining running slightly behind schedule.
- At current copper prices, Capstone anticipates the continuation of operations at Minto until mid-2020, subject to permitting and regulatory approvals. Capstone is also evaluating further deposits for re-inclusion into reserves, which may support additional mine life beyond 2020.

#### Additional highlights:

- Capstone repaid \$10 million on the senior secured corporate revolving credit facility ("RCF") on April 19, 2017, reducing drawn debt to \$298.9 million.

#### Outlook

##### Production Guidance:

Capstone expects to be within the range of 2017 consolidated production guidance of 94,000 tonnes ( $\pm 5\%$ ) of copper. Minto and Cozamin are expected to complete the year on, or above, plan, largely offsetting Pinto Valley's first quarter deficit.

##### Operating Cost Guidance:

Capstone anticipates that consolidated C1 cash cost<sup>1</sup>, All-in cost<sup>1</sup> and Fully-loaded all-in cost<sup>1</sup> will end the year between \$0.15 and \$0.20 per pound of payable copper produced higher than originally guided.

At Minto, C1 cash cost<sup>1</sup> and all-in cost<sup>1</sup> are expected to increase by approximately \$0.50 per pound of payable copper produced. The mine sequencing changes to support the mine life extension have resulted in lower production than initially guided in the first half of 2017. In addition, the revised Minto mine plan that extends operations beyond 2017 brings the Minto East underground and an extension of the Area 2 open pit into the mine plan. Development to access the Minto East deposit is ongoing and the stripping of the extension of the Area 2 pit will commence in H2'17, with resulting ore processed primarily in 2018. Because the development and stripping activities related to Minto East and the extension of the Area 2 pit are planned to take less than 12 months, all development and stripping costs will be expensed in 2017. The Area 2 open pit extension will supplement the ore mined from the higher grade underground deposits.

At Pinto Valley, increased costs related to the first quarter production deficit are expected to add between \$0.10 and \$0.20 to Pinto Valley's C1 cash cost<sup>1</sup> and all-in cost<sup>1</sup> per pound of payable copper produced.

Cozamin's 2017 C1 cash cost<sup>1</sup> and all-in cost<sup>1</sup> are expected to be slightly higher than guided as a result of lower by-product credits per payable pound of copper produced and additional planned capital, respectively.

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

##### Capital and Exploration Guidance

At Cozamin, an additional \$1.0 million in capital development is planned to be spent by year-end as the mine has been advancing at higher than planned development rates. As a result Cozamin's 2017 sustaining capital guidance is increased from \$18.0 million to \$19.0 million.

Also at Cozamin, a further \$1.1 million has been approved to test brownfield targets along strike from the Mala Noche Footwall Zone ("MNFWZ") and east of the San Rafael zinc zone, and as a result, Cozamin's 2017 capitalized exploration guidance is increased from \$5.0 million to \$6.1 million.

At Minto, \$0.6 million has been added to the 2017 H2 capital budget for definition drilling at Minto East and Ridgetop in support

of the design of the extended mine plan.

All other capital and exploration guidance remains unchanged.

#### Conference Call and Webcast Details

Capstone will hold a conference call and webcast on Monday, July 31, 2017 at 11:30 a.m. Eastern time (8:30 a.m. Pacific time) to discuss these results.

Date: Monday, July 31, 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=1421361&s=1&k=20DB088377B441B928A92B347D0179CE>

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

Replay Passcode: 103102#

The conference call replay will be available until Monday, August 7, 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>.

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, 2017, 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, 2017, in addition to the Q2 2017 webcast slides, will also be available 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 polymetallic 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 "anticipate", "guidance", "outlook", "planned", "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, future prices of copper and other metals, compliance with financial covenants, surety bonding, our ability to raise capital, Capstone'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, 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, maintaining ongoing social license to 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 energy prices, competition in the mining industry, risks associated with joint venture partners, our ability to integrate new acquisitions into our operations, cybersecurity threats, legal proceedings 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, 2017 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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