# Capstone Mining Releases Positive Technical Report and Launches a Strategic Process for Santo Domingo

26.11.2018 | CNW

(All amounts in US$ unless otherwise specified and reflect 100% of the project)

VANCOUVER, Nov. 26, 2018 - Capstone Mining Corp. ("Capstone" or the "Company") (TSX:CS) releases positive resu
updated Technical Report for its Santo Domingo Iron Oxide-Copper-Gold ("IOCG") project ("Santo Domingo" or the "Pr
Region III, Chile and announces the start of a strategic process for the Project. The strategic process will explore sever
alternatives, including selling a portion of the Project. Santo Domingo is owned 70% by Capstone and 30% by Korea R
Corporation ("KORES"). The Technical Report updates project economics, which benefits from significantly lower powe
several engineering changes, including the use of desalinated water in lieu of seawater; the report also includes the ad
cobalt to the mineral resources.

"There is a shortage of high-quality, large scale copper projects and the completion of our updated Technical Report co
ideal time. Capstone, with the support of KORES, is commencing a strategic process for Santo Domingo which will eva
alternatives relating to the ownership of the Project. In addition, we will consider the potential for streaming opportunitie
gold reserve and cobalt resource to help finance the Project," said Darren Pylot, President and CEO of Capstone. "Cap
committed to the advancement of Santo Domingo and maximizing the value of the Project for our shareholders in a res
manner that ensures our participation maintains financial flexibility for continued growth and financial security for the Co
existing operations."

"This positive Technical Report reconfirms the value of Santo Domingo as a desirable copper-iron-gold project that has
approved Environmental Impact Assessment ("EIA") in a mining-friendly jurisdiction with local community support," add
"The Project has an after-tax Net Present Value ("NPV") of $1.03 billion and an Internal Rate of Return ("IRR") of 21.8%
Additionally, there are a number of opportunities related to cobalt recovery, improving gold recovery, automation and in
sharing that we will evaluate in 2019 to further enhance the value of Santo Domingo."

"In addition to the approved EIA, Santo Domingo also has the Maritime Concession for a new port for the export of cop
concentrates," continued Mr. Pylot. "We are advancing engineering and have received three of the five long lead constr
permits, with the rest expected to be received in 2019. We are targeting Santo Domingo to be construction-ready by ea

Highlights

Results Highlights - Santo Domingo 2018 Technical Report

| | | | |
|---|---|---|---|
| Life of Mine ("LOM") (years) | 17.9 | First Five Years of Full Production | |
| Initial construction cost (US$ billions) | $1.51 | Average annual contained copper production for first five years of full production (million pounds) | 259 |
| NPV (after-tax, 8% discount) (US$ billions) | $1.03 | C1 cash cost[2] per pound of payable copper produced | $0.47 |
| IRR (after-tax) (%) | 21.8 | | |
| Payback period (after-tax) (years) | 2.8 | Average Annual for Life of Mine | |
| | | Average annual production | |
| | | Copper (million pounds) | 134 |
| | | Iron concentrate (million tonnes) | 4.2 |
| | | Gold (ounces) | 17,000 |
| | | C1 cash cost[2] per pound of payable copper produced | $0.02 |

- Approximate 18 year mine life with operations expected to commence two years after a final construction decision
- Nominal average LOM plant throughput rate of 60,000 tonnes per day.
- Initial construction costs are estimated to be $1.51 billion which includes a 15% contingency on total costs. The 1 decrease from the 2014 Feasibility Study[1] is a result of improved project infrastructure design which includes a w purchase agreement and a more favourable exchange rate.
- On a co-product basis, total C1 cash cost[3] is estimated at approximately $1.38 per pound of payable copper prod $38.88 per tonne of magnetite iron concentrate produced.
- Sustaining capital over the LOM is estimated to be $378.6 million.
- Total LOM operating costs are estimated to be $5.57 billion, which is lower than the 2014 Feasibility Study[1], prim reduction in the price of electricity in Chile.
- The LOM average production is 210,000 tonnes of copper concentrate per year over a period of approximately 18 29% copper grade. The LOM average production is 4.2 million dry metric tonnes ("dmt") of iron concentrate per y period of approximately 18 years, at a 67% iron grade.
- Metal price assumptions used for the Technical Report were a constant $3.00 per pound of copper, and utilized a long-term price of $69 per tonne for 62% iron fines, to arrive at an effective $80 per tonne magnetite iron concentr iron content FOB Santo Domingo port (which incorporates several value-in-use adjustments to reflect the specific iron-ore expected to be produced by Santo Domingo), and $1,290 per ounce of gold.

Additional Opportunities

In 2019, Capstone will commence work to incorporate potential opportunities to increase the value of the Project:

- Cobalt – This 2018 Technical Report includes an initial cobalt resource for Santo Domingo which was not i the Project's economic model. To date, we have performed metallurgical testing which suggests that the cobalt is A high-level trade-off study of several flowsheets was completed which suggests that the addition of a cobalt reco could be economically feasible. In 2019, the Company will continue to develop the technical and financial feasibili producing cobalt as a by-product by conducting a preliminarily economic assessment for the cobalt opportunity.
- Gold – We will undertake additional metallurgical test work with the goal of improving gold recoveries.
- Automation – Potential to utilize autonomous equipment to increase safety, reduce costs and reduce overa capital.

- Infrastructure sharing – This Technical Report contemplates the construction of a port and associated infra an estimated cost of $169 million. Capstone is currently engaged in discussions with other parties to share the inf opportunities.

National Instrument 43-101

A National Instrument 43-101 ("NI 43-101") Technical Report will be prepared on the results of the updated feasibility by the Qualified Persons and will be filed on SEDAR within 45 days of this news release.

Readers are cautioned that the conclusions, projections and estimates set out in this news release are subject to important qualifications, assumptions and exclusions, all of which will be detailed in the Technical Report. To fully understand the summary information set out above, the Technical Report that will be filed on SEDAR at www.sedar.com should be read in its entirety.

Conference Call and Webcast Details

Capstone will host a conference call and webcast for investors and analysts to discuss the details of this Santo Domingo Technical Report later today, Monday, November 26, 2018, at 11:30 am Eastern Time (8:30 am Pacific Time).

| | |
|---|---|
| Date: | Monday, November 26, 2018 |
| Time: | 11:30 am Eastern Time (8:30 am Pacific Time) |
| Dial in: | North America: +1 888 390 0546, International: +1 416 764 8688 |
| Webcast: | https://event.on24.com/wcc/r/1884522/8B76D6FC9B84C09A17D295209D064F24 |
| Replay: | North America: +1 888 390 0541, International: +1 416 764 8677 |
| Replay Passcode: | 696500 # |

The conference call replay will be available until December 21, 2018. Following the call, an audio file and transcript will be available on Capstone's website at https://capstonemining.com/investors/events-and-presentations/default.aspx.

Summary of Results

| Santo Domingo 2018 Technical Report | |
|---|---|
| LOM (years) | 17.9 |
| Initial construction cost (US$ billions) | $1.51 |
| NPV (after-tax, 8% discount) (US$ billions) | $1.03 |
| IRR (after-tax) (%) | 21.8 |
| Payback period (after-tax) (years) | 2.8 |
| First Five Years of Full Production | |
| Average annual contained copper production for first five years of full production (million pounds) | |

259

| | |
|---|---|
| C1 cash cost[2] per pound of payable copper produced | $0.47 |
| Strip ratio (waste to ore) | 3.4:1 |
| Average Annual for Life of Mine | |
| Average annual production | |
| Copper (million pounds) | 134 |
| Iron concentrate (million tonnes) | 4.2 |
| Gold (ounces) | 17,000 |
| C1 cash cost[2] per pound of payable copper produced | $0.02 |
| On co-product basis, C1 cash cost[3] | |
| Copper (per pound of payable copper produced) | $1.38 |
| Magnetite iron concentrate (per tonne) | $38.88 |
| Total ore mined (million tonnes) | 392.3 |
| Strip ratio (waste to ore) | 3.3:1 |
| Head Grade | |
| Copper (% Cu) | 0.30 |
| Iron (% Fe) | 28.16 |
| Gold (g/t Au) | 0.04 |
| Recovery | |
| Copper | 93.4% |
| Iron Mass | 19.1% |
| Gold | 60.1% |
| Metal Price Assumptions | |
| Copper (per pound) | $3.00 |
| Magnetite iron concentrate at 66% iron content FOB Santo Domingo port (per tonne) | $80.00 |
| Gold (per ounce) | $1,290 |

Technical Report

The Technical Report is being completed using engineering and consulting firms experienced in the Chilean mining industry (Amec Foster Wheeler Ingeniería y Construcción Limitada, a Wood company, BRASS Chile S.A., Knight Piesold S.A., NCL Ingeniería y Construcción Ltda., Aminpro Chile, Sunrise Americas and Roscoe Postle Associates Inc.), with significant contributions to the report made by authors detailed below in "Qualified Persons". The report is being compiled by the Wood Group's Santiago office with an accuracy range of -10% to +15% for construction and operating costs. The estimates presented in the technical report are current as of November 2018.

The Santo Domingo Project will include development of two open pit mines using conventional drilling, blasting, loading with diesel hydraulic shovels, and truck haulage, and a copper-iron concentrator designed to process a nominal 65,000 tonnes per day ("tpd") to 60,000 tpd (throughput is reduced in the latter years as the ore becomes slightly harder) using Semi-Autogenous Grinding ("SAG") and ball milling, with conventional flotation utilizing desalinated water to produce a copper concentrate. Magnetite iron will be recovered from the copper rougher tailings using Low Intensity Magnetic Separation ("LIMS"). The planned infrastructure for the Project also includes a tailings storage facility, an iron concentrate pipeline and a third party desalinated water supply pipeline; a port-located magnetite iron concentrate filter plant and stockpile; a port-located copper concentrate storage building; a desalination plant; ship loading facilities; and on-site and off-site infrastructure and support facilities.

The mine is located 50 kilometres southwest of Codelco's El Salvador copper mine and 130 kilometres north-northeast of Copiapó, near the town of Diego de Almagro, in Region III, Chile. The elevation at the site varies between 1,000 metres above sea level ("masl") and 1,280 masl with relatively gentle topographic relief. Access to the Project is one kilometre off the paved highway C-17 from Diego de Almagro to Copiapó. The magnetite filter plant and stockpile, the copper storage building, the desalination plant and other port infrastructure will be located in Punta Roca Blanca, 41 kilometres north of Caldera. The name of the proposed port development is Puerto Santo Domingo.

For the first five years of full operation, Santo Domingo will have an annual average copper production of approximately 259 million pounds (approximately 117,500 tonnes). The LOM average production is 134 million pounds of copper (approximately 61,000 tonnes) per year over a period of approximately 18 years. The total LOM copper production is estimated at 2.4 billion pounds (approximately 1.1 million tonnes).

For the first five years of full operation, the annual average iron ore concentrate production is estimated to be 3.3 million dmt. Over the LOM, the iron ore concentrate production will increase to an annual average of 4.2 million dmt, with a total estimated production of approximately 75.1 million dmt.

Mineral Resource Estimate

Following is the most recent Resource Estimate as at October 31, 2018 prepared by David W. Rennie, P. Eng., of Roscoe Postle Associates Inc. ("RPA").

Santo Domingo Mineral Resource Estimate as at October 31, 2018

| Category | Deposit | Mt | CuEq (%) | Cu (%) | Au (g/t) | Fe (%) | Co (ppm) |
|---|---|---|---|---|---|---|---|
| Measured | | 66 | 0.81 | 0.61 | 0.081 | 30.9 | 254 |
| Indicated | SDS/IN | 416 | 0.49 | 0.24 | 0.033 | 26.4 | 238 |
| | Estrellita | 55 | 0.40 | 0.38 | 0.039 | 13.7 | 125 |
| | Sub-Total | 471 | 0.48 | 0.26 | 0.034 | 25.0 | 225 |
| Total Measured and Indicated | | 537 | 0.52 | 0.30 | 0.039 | 25.7 | 229 |
| Inferred | SDS/IN | 43 | 0.42 | 0.17 | 0.024 | 25.0 | 208 |
| | Estrellita | 5 | 0.32 | 0.31 | 0.030 | 12.3 | 108 |
| Total Inferred | | 48 | 0.41 | 0.19 | 0.025 | 23.6 | 197 |

(1) Mineral Resources are classified according to CIM (2014) guidelines.

(2) Mineral Resources are reported inclusive of Mineral Reserves.

(3) Mineral Resources for SDS are reported at a cut-off grade of 0.125% CuEq, and for Estrellita at 0.125% CuEq.

(4) Mineral Resources are constrained by Lerchs-Grossman pits.

(5) Bulk density was estimated for each block and varies between 2.49 and 4.04 t/m3.

(6) Cu equivalence was calculated using metallurgical recoveries, transport costs, smelter terms and royalties provided by Capstone.

(7) Mineral Resources are estimated using metal prices of US$3.50/lb Cu, US$1,300/oz Au, and US$99/t FeO conc.

(8) Numbers may not add due to rounding.

(9) Only copper, gold and iron were recognized in the CuEq calculation; cobalt was excluded until further studies are completed to confirm reasonable prospects for eventual economic extraction.

The estimate was carried out using a block model constrained by three-dimensional wireframe envelopes. The wireframes were constructed primarily from lithological boundaries. The principal rock types used for these models were the manto-hosting volcanic and sedimentary units which were clipped against fault boundaries and wireframe models of post-mineral dykes or sills. Eight domains were created within the deposit and three of these (Zones 1, 2 and 3) were further subdivided into magnetite-rich and magnetite-poor variants. Much of the geological interpretation had been done for the 2009 and previous estimates. For the current estimate the wireframe modelling consisted of updating the earlier work with the latest drilling results. RPA notes that only minor modifications to the interpretations were required.

Grades for copper, gold, total iron and magnetic susceptibility ("MS") were estimated into the blocks using Ordinary Kriging ("OK"). Estimates of recoverable iron ("Fe_rec") and bulk density were carried out from the estimated iron and MS grades using linear regression relationships. Copper equivalent ("CuEq") grades were calculated from the estimated copper, gold, and Fe_rec, using recoveries estimated from recent metallurgical testing.

The Mineral Resources for SDS/IN were reported at a cut-off grade of 0.125% CuEq, which is consistent with the previous estimate.

Readers are advised that Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Mineral Resource estimates do not account for mineability, selectivity, mining loss and dilution. These Mineral Resource estimates include inferred Mineral Resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as Mineral Reserves. Even though test mining has been undertaken in areas with Measured and Indicated class Mineral Resources, there is no certainty that inferred Mineral Resources will be converted to Measured and Indicated categories through further drilling, or into Mineral Reserves, once economic considerations are applied.

Mineral Reserve Estimate

The current Mineral Reserve estimate of November 14, 2018, prepared by Carlos Guzmán, (FAusIMM of NCL Ingeniería y Construcción Ltda.) for the Project is summarized below. Based on the Mineral Resource estimate, a standard methodology for pit limit analysis, mining sequence, and cut-off grade optimization, including application of mining dilution, process recovery, economic criteria and physical mine and plant operating constraints, has been followed to design the open pit mines and determine the Mineral Reserve estimate for each deposit as summarized in the Mineral Reserve table.

Santo Domingo Mineral Reserve Estimate as at November 14, 2018

| Reserve Category | Ore Grade | | | | Contained Metal | | |
|---|---|---|---|---|---|---|---|
| | Ore (Mt) | Cu (%) | Fe (%) | Au (g/t) | Cu (Mlbs) | Fe Conc. (Mt) | Au (kOz) |
| Proven Reserves | 65.4 | 0.61 | 30.9 | 0.08 | 878.5 | 8.2 | 169.9 |
| Probable Reserves | 326.9 | 0.24 | 27.6 | 0.03 | 1,694.2 | 66.9 | 336.8 |
| Total Reserves | 392.3 | 0.30 | 28.2 | 0.04 | 2,572.7 | 75.1 | 506.7 |

(1) Mineral Reserves are reported as constrained within Measured and Indicated pit designs and supported by a mine plan featuring variable throughput rates and cut-off optimization. The pit designs and mine plan were optimized using the following economic and technical parameters: metal prices of US$3.00/lb Cu, US$1,280/oz Au and US$100/dmt of FeO concentrate; the average recovery is 93.4% for Cu and 60.1% for Au, with magnetite concentrate recovery varying on a block-by-block basis; copper concentrate treatment charges of US$80/dmt, US$0.08/lb of Cu refining charges, US$5.00/oz of Au refining charges, US$33/wet metric tonnes ("wmt") and US$20/wmt for shipping Cu and Fe concentrates respectively; waste mining cost of $1.75/t, mining cost of US$1.75/t ore, and process and G&A costs of US$7.53/t processed; average pit slope angles that range from 37.6º to 43.6º; a 2% royalty rate assumption.

(2) Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content.

(3) Tonnage and grade measurements are in metric units. Contained gold ounces are reported as troy ounces.

Mine Production Schedule

The cash flow model is supported by a mine plan developed to an annual level of detail, which can be accessed HERE. Approximately 45 million tonnes of material would be pre-stripped in the year prior to start-up of operations. The LOM plan contemplates mining 1.7 billion tonnes of material consisting of 1.3 billion tonnes of waste rock and overburden and 0.4 billion tonnes of ore over an approximately 18 year mine life. The overall strip ratio for the LOM is 3.3:1. The plan developed for the Project mines higher copper grades in the first five years of the mine life with progressively lower copper grades and higher iron grades

for the remaining 13 years.

Processing

The copper and magnetite recovery plant and associated service facilities will process run of mine ("ROM") ore delivered to a primary crusher feeding a conventional process of crushing and grinding of the ROM ore, copper flotation, and magnetite recovery from copper rougher tailings. Copper concentrate will be produced and dewatered at the process facility for trucking to (and stockpiling at) the port. Magnetite concentrate will be thickened on site prior to being pumped via a concentrate pipeline to the port. At the port, the magnetite concentrate will be dewatered and stockpiled. Both the copper and magnetite concentrates will be loaded onto ships for transportation to third-party smelters.

Grinding and flotation test-work has established mill design parameters and copper recovery estimates for the Technical Report. The mill will process a total of 392 million tonnes of ore over an approximate 18 year mine life at an average grade of 0.30% copper, 0.04 grams per tonne gold and 28.2% iron. Mill throughput will vary from 65,000 tpd in the first five years, to 60,000 tpd in the latter years when throughput will be reduced as the ore becomes slightly harder. Average mill throughput over the 18 year mine life is projected to be 60,500 tpd. Metal recoveries for copper and gold are estimated at 93.4% and 60.1% respectively, averaged over the mine life.

Iron recovery was determined from magnetic separation testing on the copper flotation rougher tailings. The Technical Report does not consider any process to recover the specular hematite portion of the iron. Therefore, iron recovery is presented in terms of the total mill feed mass recovery. For the life of the project this averages 19.1%, and ranges from a low of 10.1% in year five of the project to a high in excess of 25% in the last four years of the project. Testing via pilot plant indicates that a magnetite concentrate grading 66% to 67% iron can be maintained throughout the life of the project.

A detailed Mine Production Summary and Plant Feed Production Schedule showing tonnes processed, grades and recoveries can be accessed HERE.

The tailings storage system will consist of a tailings storage facility ("TSF") located north of the proposed mine. The TSF is designed to store approximately 314 million tonnes of conventional thickened tailings, which is sufficient capacity for the approximately 18 years of the project life. Storage of both desalinated and process water is proposed in lined ponds near the plant site. Water make-up is proposed to be desalinated water. Based on the conventional thickened tailings disposal method, the estimated water make-up will be approximately 1,260 m3/h (~350 L/s).

Offsite Infrastructure and Services

The Level 3 Capital construction estimate for this Technical Report included 100% of the capital requirements of a greenfield port in the Punta Roca Blanca area (Puerto Santo Domingo) on the coast 41 kilometres north of Caldera in the Atacama Region. Included in the cost estimates is the terminal station of the concentrate pipeline, storage tanks and filter plant for magnetite concentrate, a copper concentrate storage building, a magnetite concentrate stockpile, integrated building (offices, laboratories, change house and lunch room), guard checkpoint, workshop and warehouse; and ancillary facilities to support the operation. The port facility is designed to accommodate the maximum throughout requirements of 5.4 million tonnes per annum.

Access to the mine site is six kilometres south of Diego de Almagro on Highway C-17. This section is paved and in good condition. Due to the location of the planned Iris Norte pit, process facility and tailings storage facility, approximately 18.7 kilometres of the existing C-17 road will require relocation. The existing C-17 road will remain in service during the relocation effort. In addition, a new bypass road will be built around Diego de Almagro to minimize traffic impacts from the Project. The Diego de Almagro bypass is approximately 4.7 kilometres in length and will be built in the early stage of the Project.

Water and Concentrate Transport

The Project has been rescoped to use desalinated water which will be pumped to the mine/process site.

Capstone has received an indicative proposal for the supply of desalinated water from a local supplier with a proven record of delivery. Desalinated water was adopted due to several compelling considerations, including improved gold and copper recoveries, lower electricity costs for the desalination process and potential access to premium pricing for iron fines.

A magnetite concentrate pipeline will transport magnetite concentrate from the process plant to the filter plant at the port via a pipeline starting at an elevation of 1,027 masl and ending at the port at an elevation of 16 masl. The copper concentrate will be trucked from the site to Puerto Santo Domingo.

Both the water and the concentrate pipelines will use the same right-of-way and will run parallel to existing roads for the majority of the distance from the mine area to the port. The pipeline route will largely follow the valleys with the single route high point located approximately 45 kilometres from the mine site near Mantos Copper's Mantoverde mine operation.

Power

Santo Domingo's mine and port sites will be connected to the national grid system (Sistema Eléctrico Nacional, or "SEN") which includes coal, natural gas, hydroelectric and non-conventional renewable energy (NCRE) generation. The closest connection point between the SEN and the mine site is via a direct connection to the Diego de Almagro substation, located about five kilometres from the mine area.

A 220 kV transmission line has been designed to supply power from the Diego de Almagro substation to the Santo Domingo site. The line is 8.9 kilometres long, running underground for the first 0.5 kilometres. In addition, a 220 kV transmission line has been designed to supply power from Port Totoralillo to Puerto Santo Domingo. This line is 14 kilometres long.

The Technical Report has assumed a price of $72 per MWh, including all system-related charges, for electricity delivered to the nearest electrical substations to the mine site and the port site. The price is consistent with current contract rates for electricity in the SEN and has been verified with power generators currently operating in the SEN. The estimated peak demand for the mine and port is 109 MW.

Construction Cost Estimate

The construction cost has been updated and estimated at $1.51 billion as shown in the following table. This estimate is based upon a constant foreign exchange rate of 600 Chilean Pesos ("CLP") to US$1.00 during the development period and for the LOM.

| Construction Cost Estimate – Santo Domingo 2018 Technical Report | (US$ thousands) |
|---|---|
| Mine Equipment | 106,769 |
| Mine Pre-Production Stripping | 57,117 |
| Crushing | 43,396 |
| Grinding | 114,962 |
| Flotation | 57,966 |
| Magnetic Separation | 40,076 |
| Thickening and Tailings Handling | 52,976 |
| Reagents | 9,388 |
| Copper Concentrate | 12,018 |
| Tailings Storage Facility | 23,659 |
| Plant/Mine Infrastructure | 156,723 |
| Magnetite Concentrate Pipeline | 89,086 |
| Port - Process | 25,729 |
| Port - Concentrate Handling/Loading | 121,641 |
| Port - Infrastructure | 21,887 |
| Total Direct Cost | 933,395 |
| Development – Indirects (includes EP and CM costs) | 156,835 |
| Construction Admin Costs | 112,372 |
| Owner Costs | 111,831 |
| Contingency (15% of total costs) | 197,845 |
| Total Indirect Costs | 578,882 |
| TOTAL PROJECT CONSTRUCTION COSTS | 1,512,277 |

Mine pre-production stripping costs are estimated at $57.1 million and are included in the construction cost estimate. LOM sustaining capital, estimated at $378.6 million over the approximately 18 year mine life, is not included in the above figure. Mine closure costs have been estimated at $102 million and have been included in the financial evaluation model.

Total Project Operating Costs[3]

Total Project Operating Costs[3] – Santo Domingo 2018 Technical Report

| | LOM Total (US$ thousands) | LOM Average (US$/t milled) | LOM C1 Cash Cost[2] (US$/lb payable Cu) |
|---|---|---|---|
| Mining | 2,619,572 | 6.68 | 1.13 |
| Process | 2,547,558 | 6.49 | 1.10 |
| G&A | 402,844 | 1.03 | 0.17 |
| Sub-Total | 5,569,973 | 14.20 | 2.40 |
| By-Product Credits | | | (2.70) |
| Treatment and Refining Charges and Selling Costs | | | 0.31 |
| TOTAL C1 cash cost[2] per pound of payable copper produced | | | 0.02 |

As shown, the estimated total C1 cash cost[2] over LOM are estimated at $0.02 per pound of payable copper produced, when including gold and iron credits. The co-product LOM C1 cash costs[3] are estimated at approximately $1.38 per pound of payable copper and $38.88 per tonne of magnetite concentrate produced.

Sensitivities

Sensitivities – Santo Domingo 2018 Technical Report

| Parameter or Variation | Value | Pre-Tax | | After-Tax | |
|---|---|---|---|---|---|
| | | IRR (%) | NPV @ 8.0% ($M) | IRR (%) | NPV @ 8.0% ($M) |
| Copper Price ($/lb) | | | | | |
| -20% | 2.40 | 18.5 | 904 | 15.2 | 548 |
| -10% | 2.70 | 22.6 | 1,248 | 18.5 | 792 |
| Base Case | 3.00 | 26.6 | 1,592 | 21.8 | 1,032 |
| 10% | 3.30 | 30.5 | 1,936 | 25.0 | 1,270 |
| 20% | 3.60 | 34.4 | 2,280 | 28.0 | 1,506 |
| Magnetite Iron Price ($/dmt Fe) | | | | | |
| -20% | 64 | 23.1 | 1,155 | 18.8 | 730 |
| -10% | 72 | 24.9 | 1,373 | 20.3 | 881 |
| Base Case | 80 | 26.6 | 1,592 | 21.8 | 1,032 |
| 10% | 88 | 28.2 | 1,810 | 23.1 | 1,182 |
| 20% | 96 | 29.7 | 2,028 | 24.4 | 1,331 |
| Total Operating Costs ($/t LOM average) | | | | | |
| -20% | 11.73 | 30.5 | 2,029 | 25.0 | 1,332 |
| -10% | 13.19 | 28.6 | 1,810 | 23.4 | 1,183 |
| Base Case | 14.66 | 26.6 | 1,592 | 21.8 | 1,032 |
| 10% | 16.13 | 24.5 | 1,373 | 20.0 | 880 |
| 20% | 17.59 | 22.3 | 1,154 | 18.2 | 726 |
| Initial Construction Costs ($M) | | | | | |
| -20% | 1,209.8 | 33.5 | 1,835 | 28.5 | 1,276 |
| -10% | 1,361.0 | 29.7 | 1,713 | 24.8 | 1,154 |
| Base Case | 1,512.3 | 26.6 | 1,592 | 21.8 | 1,032 |
| 10% | 1,663.5 | 23.9 | 1,470 | 19.2 | 910 |
| 20% | 1,814.7 | 21.6 | 1,348 | 17.0 | 788 |

Permitting

In July 2015, Capstone received approval of the EIA for the Project. The EIA will require minor modifications as a result of improvements assessed in this Technical Report update.

In July 2017, long-lead permit applications required to start construction were submitted. Of these, we have received the Mine Development, Plant and Waste Rock Storage Facility permits. We await receipt of the Tailings Permit, upon its approval the application for the Closure and Reclamation Plan permit will be submitted.

Iron Ore Pricing

The Technical Report uses a constant metal price assumption of $80 per tonne of magnetite iron concentrate received by the Project. This assumption reflects value-in-use adjustments to the conventionally quoted 62% iron ore price. Specifically, there are premiums for producing iron ore with 66% iron content, as well as for producing a product that is low in impurities such as alumina. The $80 per tonne figure is expressed FOB Santo Domingo port.

2018 Technical Report vs. 2014 Feasibility Study[1]

| Santo Domingo Project | 2018 Technical Report | 2014 Fea Study[1] |
|---|---|---|
| Life of mine ("LOM") (years) | 17.9 | 18 |
| Initial construction cost (US$ billions) | $1.5 | $1.7 |
| NPV (after-tax, 8% discount) (US$ billions) | $1.0 | $0.8 |
| IRR (after-tax) | 22% | 18% |
| Payback period (after-tax) (years) | 2.8 | 4.2 |
| Avg. annual contained copper production for first five years of full production (million pounds) | 259 | 248 |
| C1 cash cost[2] per pound of payable copper produced for first five years of full production | $0.47 | $0.49 |
| Average annual production for LOM | | |
| Copper (million pounds) | 134 | 128 |
| Iron concentrate (million tonnes) | 4.2 | 4.2 |
| Gold (ounces) | 17,000 | 16,000 |
| C1 cash cost[2] per pound of payable copper produced for LOM | $0.02 | ($0.06) |

Next Steps

Capstone is advancing Santo Domingo under a disciplined stage-gate approach. The next stage-gate will be the approval of the final design criteria upon conclusion of the 2019 pilot plant trials, which is anticipated in mid-2019. The following stage-gate will be when engineering is advanced to approximately 60% to 65% with an estimate accuracy of ±10%, expected in the third quarter of 2019 and will result in the initiation of purchasing key capital equipment. The final gate will be at the point when financing is confirmed, which is expected to be in the first quarter of 2020. At each stage-gate, Capstone will evaluate the status of the Project and communicate the next steps. Each decision will reflect, among other factors, the progress made in the areas outlined above, general and project specific market conditions, the financing market, project

economics and alternatives available to the Company at that time. The decisions will be targeted at maximizing the value of the Project to Capstone shareholders in a manner that ensures financial flexibility for continued growth and financial security for the Company's existing operations.

Qualified Persons

The following Qualified Persons (QPs), as defined by NI 43-101 are independent from Capstone and have reviewed and approved the content of this news release and are responsible for the preparation of their relevant portions of the Technical Report:

- Joyce Maycock, P. Eng., Amec Foster Wheeler Ingeniería y Construcción Limitada, a Wood company
- Antonio Luraschi, CMC, Amec Foster Wheeler Ingeniería y Construcción Limitada, a Wood company
- Marcial Mendoza, CMC, Amec Foster Wheeler Ingeniería y Construcción Limitada, a Wood company
- Mario Bianchin, P. Geo., Amec Foster Wheeler Ingeniería y Construcción Limitada, a Wood company
- Roy G. Betinol, P. Eng., BRASS Chile S.A
- Carlos Guzmán, CMC, FAusIMM, NCL Ingeniería y Construcción Ltda
- Roger Amelunxen, APEG, Aminpro Chile
- Tom Kerr, P. Eng., Knight Piésold S. A.
- David Rennie, P. Eng., Roscoe Postle Associates Inc.
- Michael Gingles, MMSA, Sunrise Americas

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 two producing mines are the Pinto Valley copper mine located in Arizona, US and the Cozamin polymetallic mine in Zacatecas State, Mexico. In addition, Capstone has the large scale 70% owned copper-iron Santo Domingo development project in Region III, Chile, in partnership with Korea Resources Corporation, the Minto copper mine in Yukon, Canada currently on care and maintenance, as well as a portfolio of exploration properties. 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.

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 ability to successfully complete the strategic review process, the ability to further enhance the value of the project, the expected timing for commencement of construction of the Santo Domingo Project, the market for project debt, Capstone's ability to raise its equity contribution to the Project, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital and construction expenditures, success of mining operations, environmental risks, the timing of the receipt of permits, the timing and terms of a power purchase agreement, 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 "explore", "potential", "will", "scheduled", "plan", "planned", "estimates", "estimated", "estimate", "projections", "projected", "await receipt" and "expected". Forward-looking statements are based on a number of assumptions which may prove incorrect, including, but not limited to,

the development potential of the Santo Domingo Project and current and future commodity prices and exchange rates. 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, changes in project parameters as plans continue to be refined; future prices of commodities; possible variations in mineral 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, financing or in the completion of development or construction activities; objections by the communities or environmental lobby of the Santo Domingo Project and associated infrastructure 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. 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.

Alternative Performance Measures

"Total C1 Cash Cost" and "Total Project Operating Costs" are Alternative Performance Measures. These performance measures are included because these statistics are key performance measures that management uses to monitor performance. Management uses these statistics to assess how the Company is performing to plan and to assess the overall effectiveness and efficiency of mining operations. These performance measures do not have a meaning within International Financial Reporting Standards ("IFRS") and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

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 refers to a technical report that uses 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. See Capstone News Release dated June 4, 2014 titled "Capstone Mining Reports Positive Feasibility Study Results for Santo Domingo Project in Chile" and the Technical Report effective May 14, 2014 for full details. 2. These are alternative performance measures; please see "Alternative Performance Measures" at the end of this news release. C1 cash costs are net of magnetite iron and gold by-product credits and selling costs. 3. These are alternative performance measures; please see "Alternative Performance Measures" at the end of this news release.

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