

Capstone Reports First Quarter 2020 Results

29.04.2020 | [Business Wire](#)

(All amounts in US\$ unless otherwise specified)

[Capstone Mining Corp.](#) (or the Company) (TSX:CS) announces its production and financial results for the three months (Q1 2020) ended March 31, 2020. Copper production totaled 35.5 million pounds of copper at consolidated C1 cash costs¹ of \$2.05 per payable pound produced.

I am proud of Capstone's response to the COVID-19 pandemic. Our top priority is to ensure the health of our employees and our communities in which we operate, while maintaining the health of our business, said Darren Pylot, President & CEO of Capstone. Our quick mitigation measures positioned Capstone to weather this current low copper price environment without delaying the 2021 growth targets we have set.

We were well positioned to face the abrupt economic downturn during Q1 2020, having cut nearly \$30 million in annual costs from the business last year, said Raman Randhawa, SVP & CFO of Capstone. We were fortunate to have the flexibility to defer another \$32 million in capital costs this year, while having preserved multiple levers that could be triggered to increase liquidity, if necessary. Also, we have taken actions on additional operating cost savings of \$22 million which include locking in contract purchases and hedges on very low diesel prices, transportation and the Mexican Peso for the remainder of 2020. This is expected to result in consolidated C1 operating costs and all-in sustaining costs of ~\$1.80 and ~\$2.20 per pound, respectively, for the balance of this year.

COZAMIN UPDATE

On April 7, the Company safely commenced ramping down operations at Cozamin to comply with a Mexican Federal Government decree which was extended from April 30, 2020 to until May 30, 2020. The decree allows for normal operations to resume on May 18, 2020 in municipalities which present low or null transmission of COVID-19. Zacatecas is a low-risk jurisdiction based on current statistics. The Company is taking all steps necessary to be able to quickly and safely ramp production back up to full capacity by May 18, 2020.

Q1 2020 HIGHLIGHTS AND SIGNIFICANT ITEMS

- Q1 2020 copper production of 35.5 million pounds and C1 cash costs¹ of \$2.05 per payable pound produced. Copper sales were lower at 30.4 million pounds due to timing of shipments at Pinto Valley.
- Q1 2020 net loss of \$21.9 million impacted significantly by two items, non-cash inventory write-downs (\$6.7 million) and provisional pricing adjustments (\$9.8 million) related to COVID-19. (Q1 2019 net income of \$8.3 million).
- Q1 2020 operating cash flow of \$6.9 million (Q1 2019 of \$28.7 million). Operating cash flow was impacted by approximately \$10 million due to one less shipment at Pinto Valley and the build-up of concentrate inventory during Q1 2020.
- In January and April, Cozamin further announced the results from its 2019/2020 step-out and infill drilling program, aiming to double the current reserve base. 177 holes of the 200 planned holes are now released, with updated Mineral Resource and Mineral Reserve estimates expected in late 2020. Positive drill results are pointing to expected higher grades and wider intercepts than in the current reserve, as well as a potentially expanded high-grade resource.
- A positive update to Santo Domingo's Feasibility Study was released in February. The update included a higher level of capital and operating cost certainty, the receipt of additional key permits and the development of a Preliminary Economic Assessment with respect to cobalt production.

- The World Health Organization declared the coronavirus (COVID-19) a global pandemic in early March. Capstone has taken the following measures in response to COVID-19; refer to the Corporate Update below for more details:
 - Implemented rigorous control and prevention measures in order to ensure the health of our workers at all our offices and operations.
 - Safely ramped down operations at Cozamin on April 7, to comply with a government decree.
 - Withdrew its full-year 2020 production guidance, due to Cozamin's temporary ramp down of operations and the ongoing uncertainty regarding COVID-19. The Company will re-evaluate its full-year 2020 guidance as the pandemic evolves.
- 2020 cost reduction actions taken to manage liquidity and deliver margins:
 - Reduced discretionary capital and exploration expenditures by \$32 million.
 - Actions taken by management to reduce operating costs for the remainder of 2020 by \$22 million. These reductions include lower diesel prices and transportation costs, hedging foreign exchange and interest rate swaps.
 - Operating cost reductions are expected to reduce C1 cash costs to \$1.75/lb to \$1.85/lb thus delivering margins at spot copper prices.
 - Executed financial hedges on foreign exchange and interest rates to protect approximately half of the Company's Mexican Peso exposure from August 2020 through December 2021 and swapped the floating for fixed rate on the LIBOR portion of our revolving credit facility (RCF) at 0.355%. Resulting in estimated expected savings against plan of \$4 million and \$4 million respectively over the term of the contracts.

CORPORATE UPDATE

COVID-19

In response to the World Health Organization declaring novel coronavirus (COVID-19) a global pandemic in early March, Capstone has taken the following measures to ensure the health and safety of our people and the communities in which we operate:

- We have a global COVID-19 response team in place and are assessing any potential health and business impacts across all our operations.
- Implemented rigorous control and prevention measures at all our offices and operations in order to ensure the health of our workers, including remote working from home where possible and limiting all non-essential travel.
- In response to COVID-19 negatively affecting global markets and putting downward pressure on metal prices, Capstone has taken prudent financial measures to reduce discretionary capital and exploration expenditures by \$32 million in 2020.
- The Company's financial position as at December 31, 2019 was at a position of strength with low net debt/EBITDA of 1.56x, net debt of \$165 million and total available liquidity of \$135 million consisting of \$90 million undrawn on the revolving credit facility (RCF) plus cash and short-term investments of \$45 million. As at March 31, 2020, the Company had total available liquidity of \$112 million consisting of \$80 million of undrawn credit on the RCF and cash and short-term investments of \$32 million. Subsequent to quarter-end, the Company drew \$30 million on the RCF as a precautionary measure for working capital purposes. The Company is closely monitoring future cash flow projections to ensure that we can take appropriate further actions as required.
- On April 7, the Company safely commenced ramping down operations at Cozamin to comply with a Mexican Federal Government decree which was extended from April 30, 2020 to until May 30, 2020. The decree allows for the normal operations to resume on May 18, 2020 in municipalities which present low or null transmission of COVID-19. Zacatecas is a low-risk jurisdiction based on current statistics. The Company is taking all steps necessary to be able to quickly and safely ramp production back up to full capacity by May 18, 2020.

2020 Cost Reductions

At the end of December 2019, the Company achieved its target of sustainable annualized cost savings of \$27.5 million from the business, using 2018 as a baseline.

In response to COVID-19, Capstone has taken prudent financial measures to reduce discretionary capital and exploration expenditures by \$32 million in 2020.

In addition, in relation to current financial markets, the Company is targeting the following cost reductions in 2020 expected to be reflected in our future operating results. These are additional cost saving measures which would enable Capstone to reduce our cash operating costs by approximately \$22 million over the

remainder of 2020.

Operating Cost Items	Projected Annualized Cost Savings (\$ million)	Projected 2020 Savings (Q2 to Q4) (\$ million)
Diesel	\$10	\$8
Transportation costs	\$3	\$2
Contractor management freeze	\$4	\$3
Consumables and other inputs costs	\$4	\$3
Mexican peso @ 24.00 versus guidance 19.50	\$5	\$4
Canadian dollar @ 1.40 versus guidance 1.30	\$1	\$1
Fixed interest rate swap	\$1	\$1
TOTAL	\$28	\$22

Pinto Valley Cost Reductions

As a result of these cost reduction measures and expected improvements to production compared to Q1 2020 (primarily related to grades reverting back to average of 0.31% copper), we expect the C1 cash costs¹ for Pinto Valley to reduce dramatically in the remaining quarters in 2020, compared to Q1 results, to below \$2.00/lb. This is a result of the following key factors illustrated in the waterfall chart. (Refer to the Risks and Uncertainties section in Capstone's Q1 2020 Management's Discussion and Analysis (MD&A) and Financial Statements for updated COVID-19 related risks.)

Pinto Valley: PV3 Optimization

PV3 Optimization is an initiative that aims to enhance performance via a series of low capital, quick payback, high impact debottlenecking steps and operational tweaks. The goal is to sustainably boost throughput, enhance recovery and lower costs. All required permits are in place to operate at levels up to 79,500 tonnes per day.

The first phase of PV3 Optimization aims to increase reliability and improve performance in the fine crushing plant and grinding circuit (Phase 1). In Q1 2020, the first of two secondary crushers and screen decks arrived and are scheduled to be installed in July. Also in July, the first of two new ball mill shells are expected to be installed, with the second scheduled for Q1 2021. The second secondary crusher and six tertiary screen decks are scheduled to arrive in Q4 2020. Once completed, the expected result is for throughput to reliably achieve higher throughput levels in the 56,000 to 57,000 tonnes per day range in 2021. During Q1 2020, a mineral processing consultant was hired to assist in reviewing historical reports and operational data and identify operational improvements to advance in the short term (Phase 2).

Pinto Valley: PV4 Expansion

Preliminary work on Pinto Valley's potential future expansion to 100,000+ tonnes per day (PV4 Expansion) continues but at a slower rate given COVID-19 restrictions. The update has been delayed for an indeterminate period. The study is focused on evaluating potential scenarios to take advantage of the one billion tonnes of Mineral Resources not currently scheduled in the current mine plan pit shell (PV3).

Cozamin: Near-Term Expansion Update

In early April 2020, Cozamin completed two major projects that represent a significant achievement on our path to expanding copper and silver production in 2021. The final key component of this expansion, the Calicanto one-way ramp, continues as scheduled and on budget to be completed in December 2020. (Refer to the Risks and Uncertainties section in Capstone's Q1 2020 MD&A and Financial Statements for updated COVID-19 related risks.) The 818-meter raisebore was completed 52 days ahead of schedule, which immediately improved ventilation and decreased the temperature in the deepest area of the mine. The second milestone is completion of an upgrade to the underground electrical substation, to boost the mine

from 7.5MW to 9.5MW. In addition, an additional underground maintenance shop has been completed, increasing fleet maintenance capacity by 50%. Once completed, the underground expansion is expected to increase production to a new annual run rate of approximately 50-55 million pounds of copper and 1.5 million ounces of silver in 2021.

Cozamin: Targeting Doubling Mine Life

Updated Mineral Resource and Mineral Reserve estimates for Cozamin are still expected to be completed in late 2020. The 2019/2020 step-out and infill drilling program was progressing well at 85% completed and approximately three months ahead of schedule, until it was suspended as a non-essential activity by Mexican national decree. The drilling completed to date will be used to upgrade Inferred Mineral Resources to the Indicated category and subsequent conversion to Mineral Reserves to target doubling the mine life. Positive drill results pointing to higher grades and wider intercepts than in the current Mineral Reserve estimates were released on January 16, 2020 and April 23, 2020.

Santo Domingo Technical Report Update

In February 2020, a positive update to Santo Domingo's Feasibility Study-level Technical Report, originally published on January 3, 2019 (Base Case), was released on February 19, 2020 and filed on SEDAR on March 24, 2020. The update included a higher level of Capital and Operating Cost certainty, receipt of additional key permits and the development of a Preliminary Economic Assessment with respect to cobalt production (the 2020 PEA Opportunity). Highlights included:

- Higher level of CAPEX/OPEX certainty due to confirmation of certain capital and operating costs with the negotiation of a power purchase agreement, indicative offers for desalinated water purchase from third parties, firm-fixed-price (lump sum) proposal for the construction of plant and mine facilities and firm actionable quotes for key process equipment.
- Base Case copper-iron-gold project has a post-tax net present value at an 8% discount rate (NPV_{8%}) of \$1.03 billion. Initial construction costs are estimated to be \$1.51 billion which includes a \$197 million contingency on total costs.
- The 2020 PEA Opportunity considers a conceptual plan to mine and process copper, iron-ore and gold at the onset of the mine. Subsequent to the decision of building the copper-iron-gold mine, a follow-on phase to initiate engineering and permitting is presented for a cobalt recovery circuit. The 2020 PEA Opportunity assumes two years for additional permitting and detailed engineering. During this development period, the cobalt laden pyrite will be stockpiled as a high-density slurry. Copper, iron and gold are mined for the 18-year mine life and processed over 18 years, and cobalt is mined for 18 years but processed over the last 16 years.
 - The copper-iron project with the phased cobalt opportunity has a NPV_{8%} of \$1.66 billion after tax.
 - Incremental CAPEX for a cobalt refining complex of \$0.67 billion, for combined construction costs of \$2.18 billion, timed to begin two years after construction begins for the copper-iron-gold plant.
 - Production of an average of 10.4 million pounds of cobalt per annum in the form of 22,600 tonnes per annum (tpa) battery-grade cobalt sulfate, at incremental operating costs of \$3.70 per pound of cobalt production costs and incremental C1 cash costs¹ of negative -\$4.11 per pound of cobalt production (including by-product sulfuric acid produced in the cobalt operation).

OPERATIONAL OVERVIEW

Refer to Capstone's Q1 2020 MD&A and Financial Statements for detailed operating results.

	Q1 2020	Q1 2019
Copper production (million pounds)		
Pinto Valley	26.8	32.7
Cozamin	8.7	8.7
Total copper production (million pounds)	35.5	41.4
Copper sales		
Total copper sales (from continuing operations) ² (million pounds)	30.4	35.3
Realized copper price (\$/lb.)		

\$2.29

\$2.99

C1 cash costs¹ (\$/lb.) produced

Pinto Valley	\$2.41	\$1.79
Cozamin	\$0.95	\$0.70
Consolidated C1 cash costs ¹ (\$/lb.) produced	\$2.05	\$1.56

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

² Sales from continuing operations has been utilized due to the Minto mine being classified as a discontinued operation in the comparative period until the point of its sale on June 3, 2019.

Consolidated

Production of 35.5 million pounds was at the lower end of the original guidance range of 140 to 155 million pounds. Production levels are expected to ramp up through the year as Pinto Valley mined a lower grade area of the upper portion of the pit during the quarter. A focus on maximizing mill throughput continued in Q1 2020 following the successful December 2019 operational test, announced with the 2019 results in February 2020. A total of 28 days of over 60,000 tonnes per day was realized during Q1 2020 and an average daily throughput rate during Q1 2020 of 54,900 tonnes per day, or approximately 5% higher than the three-year average from 2017 to 2019. Sustainable high mill throughput rates are expected in the second half of 2020, helped by the installation of the first of two secondary crushers and screen decks planned for July 2020. Recoveries during the quarter of 82.4% were impacted by the low feed grade of 0.284% plus an expected higher than average oxide component. Grade and recovery are both planned to be higher for the balance of the year.

C1 cash costs¹ were impacted by Pinto Valley costs, overall lower production and less capitalized stripping resulting from the increased ore delivery to the mill.

The realized copper price in Q1 2020 of \$2.29 per pound was lower than the LME average of \$2.56 per pound due to three provisionally priced shipments at March 31, 2020, which were priced at an average of \$2.24 per pound. In addition, there was a (\$0.10) per pound negative provisional adjustment on prior shipments due to copper prices decreasing throughout the quarter. Sales volumes in Q1 2020 were lower than production due to timing of shipments at Pinto Valley.

Pinto Valley Mine

C1 cash costs¹ of \$2.41 per pound in Q1 2020 were higher than Q1 2019, primarily due to 18% lower copper production compared to the same period last year, as well as higher operating costs (site costs were \$56 million in Q1 2020 compared to \$216 million in 2019 or a run rate of \$54 million per quarter). C1 cash costs¹ were also impacted by lower capitalized stripping in Q1 2020 of \$5.3 million or \$0.20 per pound.

Property cost per tonne milled¹ of \$10.87 was \$0.30/tonne lower (-3%) versus the average cost per tonne milled in 2019 and \$0.76/tonne lower (-6.5%) than in 2018. This reflects the cost cuts implemented over the course of last year.

During Q1 2020, the mill was able to achieve mill throughput of 54,899 tonnes per day (highest quarterly total since Q4 2017) as a result of operational improvements tied to maintenance programs.

Cozamin Mine

Production in Q1 2020 remained consistent at Cozamin compared to Q1 2019. C1 cash costs¹ of \$0.95 per pound were higher than Q1 2019. The primary cause of this is a decrease in by-product credits during the quarter due to declining commodity prices as a result of current market conditions, as well as less San Rafael zinc ore mined during the quarter. This was offset by decreases in overall operating costs from cost management efforts, as well as lower treatment and selling costs.

FINANCIAL OVERVIEW

Refer to Capstone's Q1 2020 MD&A and Financial Statements for detailed financial results.

	Q1 2020	Q1 2019
Revenue ² (\$ millions)	70.4	108.9
Net income (loss) (\$ millions)	(21.9)	8.3
Adjusted net income (loss) ¹ (\$ millions) ³	(17.7)	12.0
Adjusted EBITDA ^{1,4} from continuing operations ^{2,3} (\$ millions)	11.1	35.6
Cash flow from operating activities ² (\$ millions)	6.9	28.7
Operating cash flow before changes in working capital ^{1,2} (\$ millions)	(3.5)	30.7
	March 31, 2020	December 31, 2019
Total assets (\$ millions)	1,309.9	1,331.4
Long term debt (excluding financing fees) (\$ millions)	219.9	209.9
Net debt ¹ (\$ millions)	188.0	165.5

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

² In accordance with IFRS 5, Minto's results are excluded from revenue but included within cash flow amounts in the comparative period. The Minto mine was sold on June 3, 2019.

³ Certain prior period amounts have been restated to conform with current period classification.

⁴ EBITDA is earnings before interest, taxes, depletion and amortization.

OUTLOOK 2020 PRODUCTION, COST AND CAPITAL GUIDANCE

In light of the temporary ramp-down at Cozamin to comply with a Mexican Federal Government decree which was extended from April 30, 2020 to until May 30, 2020, and the ongoing uncertainty regarding COVID-19, Capstone has decided to withdraw its full-year 2020 production guidance. The Company will continue to target safe execution of its operation plans and will re-evaluate its full-year 2020 guidance as the pandemic evolves.

Prior to the temporary ramp-down at the Cozamin mine, Capstone had taken prudent financial measures, due to the recent drop in copper prices, to reduce discretionary capital and exploration expenditures of \$32 million in 2020, as shown in the table below. The Company does not expect that these reductions will materially impact its growth plans for 2021 and beyond.

Refer to the Corporate Update section for revised 2020 operating cost expectations.

2020 Expenditure Guidance Original Guidance Revised Guidance

Pinto Valley

Sustaining	\$28	\$18
Capitalized stripping	\$8	\$3
Expansionary	\$19	\$12
Total Pinto Valley Capital	\$55	\$33
Cozamin	\$26	\$24

Santo Domingo	\$9 ³	\$6 ⁴
Total Capital	\$90	\$63
Total Exploration	\$10	\$5

³ On a 100% basis, the figure is \$12 million; ownership is 70% Capstone and 30% Korea Resources Corporation.

⁴ On a 100% basis, the figure is \$9 million; ownership is 70% Capstone and 30% Korea Resources Corporation.

CONFERENCE CALL AND WEBCAST DETAILS

Date: Wednesday, April 29, 2020

Time: 11:30 am Eastern Time (8:30 am Pacific Time)

Dial in: North America: 1-877-823-8676, International: +825-312-2240

Webcast: <https://event.on24.com/wcc/r/2218097/7C9FE2184A36B0D28729C5A8FBF1B50B>

The conference call replay will be available until May 13, 2020.

Replay: North America: 800-585-8367, International: +416-621-4642

Passcode: 5215689

Following the replay, an audio file will be available on Capstone's website at <https://capstonemining.com/investors/events-and-presentations/default.aspx>.

This release is not suitable on a standalone basis for readers unfamiliar with Capstone and should be read in conjunction with the Company's MD&A and Financial Statements for the three months ended March 31, 2020, which are available on Capstone's website and on SEDAR, all of which have been reviewed and approved by Capstone's Board of Directors.

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

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 copper-silver 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, 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 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 our expectations or beliefs regarding future events and the impacts of the ongoing and evolving COVID-19 pandemic.

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, the continuing success of mineral exploration, Capstone's ability to fund future exploration activities, environmental risks, unanticipated reclamation expenses and title disputes. The potential effects of the COVID-19 pandemic on our business and operations are unknown at this time, including Capstone's ability to manage challenges and restrictions arising from COVID-19 in the communities in which Capstone operates and our ability to continue to safely operate and to safely return our business to normal operations. The impact of COVID-19 to Capstone is dependent on a number of factors outside of our control and knowledge, including the effectiveness of the measures taken by public health and governmental authorities to combat the spread of the disease, global economic uncertainties and outlook due to the disease, and the evolving restrictions relating to mining activities and to travel in certain jurisdictions in which we operate.

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 "anticipated", "guidance", "plan" 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 and closure of mining projects, 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, market access restrictions or tariffs, 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, licenses and permits from governmental authorities, acting as Indemnitor for Minto Exploration Ltd.'s surety bond obligations post divestiture, impact of climatic conditions on our Pinto Valley and Cozamin operations, aboriginal title claims and rights to consultation and accommodation, land reclamation and mine closure obligations, risks relating to widespread epidemics or pandemic outbreak including the COVID-19 pandemic; the impact of COVID-19 on our workforce, suppliers and other essential resources and what effect those impacts, if they occur, would have on our business, including our ability to access goods and supplies, the ability to transport our products and impacts on employee productivity, the risks in connection with the operations, cash flow and results of Capstone relating to the unknown duration and impact of the COVID-19 pandemic, 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 MD&A of those statements, all of which are filed and available for review under the Company's profile on SEDAR at 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, Annual Information Form and news releases (collectively the "Disclosure Documents") available under [Capstone Mining Corp.](http://www.sedar.com)'s company profile on SEDAR at 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.

Disclosure Documents include the National Instrument 43-101 compliant technical reports titled "NI 43-101 Technical Report on the Cozamin Mine, Zacatecas, Mexico" effective October 24, 2018, Pinto Valley Mine Life Extension Phase 3 (PV3) Pre-Feasibility Study; effective January 1, 2016 and Santo Domingo Project, Region III, Chile, NI 43-101 Technical Report; effective February 19, 2020.

The disclosure of scientific and Technical Information in this News Release was reviewed and approved by Brad Mercer, P. Geol., Senior Vice President, Operations and Exploration (technical information related to mineral exploration activities and to Mineral Resources at Cozamin), Clay Craig, P.Eng, Superintendent Mine Technical Services; Pinto Valley Mine (technical information related to Mineral Reserves and Mineral Resources at Pinto Valley), Tucker Jensen, Senior Technical Advisor; Cozamin Mine, P.Eng (technical information related to Mineral Reserves at Cozamin) and Albert Garcia III, PE, Vice President, Projects (technical information related to project updates at Santo Domingo) all Qualified Persons under NI 43-101.

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures are furnished to provide additional information. These non-GAAP performance measures are included in this News Release because these statistics are key performance measures that management uses to monitor performance, to assess how the Company is performing, and to plan and assess the overall effectiveness and efficiency of mining operations. These performance measures do not have a standard meaning within 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.

These alternative performance measures are presented in Highlights and discussed further in other sections of the Q1 2020 MD&A for the three months ended March 31, 2020. These measures provide meaningful supplemental information regarding operating results because they exclude certain significant items that are not considered indicative of future financial trends either by nature or amount. As a result, these items are excluded for management assessment of operational performance and preparation of annual budgets. These significant items may include, but are not limited to, restructuring and asset impairment charges, individually significant gains and losses from sales of assets, share based compensation, unrealized gains or losses, and certain items outside the control of management. These items may not be non-recurring. However, excluding these items from GAAP or Non-GAAP results allows for a consistent understanding of the Company's consolidated financial performance when performing a multi-period assessment including assessing the likelihood of future results. Accordingly, these Non-GAAP financial measures may provide insight to investors and other external users of the Company's consolidated financial information

C1 Cash Costs Per Payable Pound of Copper Produced

C1 cash costs per payable pound of copper produced is a key performance measure that management uses to monitor performance. Management uses this measure to assess how well the Company's producing mines are performing and to assess overall efficiency and effectiveness of the mining operations.

All-in Sustaining Costs Per Payable Pound of Copper Produced

All-in sustaining costs per payable pound of copper produced is an extension of C1 cash costs measure discussed above and is also a key performance measure that management uses to monitor performance. Management uses this measure to analyze margins achieved on existing assets while sustaining and maintaining production at current levels. Consolidated All-in sustaining costs includes Corporate general and administrative costs.

Net Debt

Net debt is a performance measure used by the Company to assess its financial position.

Operating Cash Flow before Working Capital Changes per Common Share

Operating Cash Flow before working capital changes per common share is a performance measure used by the Company to assess its ability to generate cash from its operations, while also taking into consideration changes in the number of outstanding shares of the Company.

Adjusted Net Income (Loss)

Adjusted net income (loss) is net income (loss) attributable to shareholders as reported, adjusted for certain types of transactions that in our judgment are not indicative of our normal operating activities or do not necessarily occur on a regular basis.

EBITDA

EBITDA is net income (loss) attributable to shareholders before net finance expense, tax expense, and depletion and amortization.

Adjusted EBITDA

Adjusted EBITDA is EBITDA before the pre-tax effect of the adjustments made to adjusted net income (above) as well as certain other adjustments required under the Company's RCF agreement in the determination of EBITDA for covenant calculation purposes.

The adjustments made to Adjusted net income (loss) and adjusted EBITDA allow management and readers to analyze our results more clearly and understand the cash generating potential of the Company.

Property Cost per Tonne Milled

Property cost per tonne milled is a key performance measure that management uses to monitor performance. Management uses this measure to assess how well the Company's producing mines are performing and to monitor costs and assess overall efficiency and effectiveness of the mining operations.

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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Capstone Reports First Quarter 2020 Results

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