

Capstone Advances Two Operational Growth Projects to Sustain 200 Mlbs Copper Production Starting in 2022

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(All amounts in US\$ unless otherwise specified)

[Capstone Mining Corp.](#) (or the Company) (TSX:CS) provides a corporate update including 2021 production and capital guidance, project and exploration updates and executive leadership announcements. Capstone's 2020 actual production finished above the highest end of the 140 to 155 million pounds guidance range and actual costs below the bottom end of \$1.85 to \$2.00 per pound of payable copper. The Company will further expand on 2020 results when it releases 2020 fourth quarter results on Wednesday, February 24, 2021 before market open, followed by an investor webcast and conference call at 11:30 am Eastern Time.

This press release features multimedia. View the full release here:
<https://www.businesswire.com/news/home/20210119005370/en/>

Figure 1 - Two areas of active expansion exploration at Cozamin including MNFWZ West and MNFWZ East (Photo: Business Wire)

2021 PRODUCTION, COST AND CAPITAL GUIDANCE

In 2021, Capstone expects to produce between 175 and 190 million pounds of copper at C1 cash costs¹ of between \$1.75 and \$1.90 per pound payable copper produced.

This is the first year of a multi-year growth phase for Capstone that will target 40% higher production with 15% lower costs by 2022, compared to last year's guidance, said Darren Pylot, President and CEO. In the coming weeks, we will close the \$150 million silver stream announced last month with Wheaton Precious Metals and it will allow Capstone to become debt free in 2021, while operating in this strong copper price environment. I am also pleased to announce the appointment of Brad Mercer to Chief Operating Officer, as he has been instrumental in leading Cozamin's success in exploration and expansion, and will now have expanded responsibility for both Cozamin and Pinto Valley operations.

Brad Mercer, SVP and Chief Operating Officer said, We have high impact, high return projects at each operation to advance this year. At Cozamin, we will release a pillar extraction study and new mine plan shortly, and following that our paste backfill and dry stack tailings project will officially commence. At Pinto Valley, the Eriez HydroFloat project is in final stage gate review following pilot plant testing which surpassed our 6% improvement target to overall copper recovery. This test gave us a sneak peak of where we want to get to in 2022; for the month of December, Pinto Valley averaged a record 60,717 tonnes per day.

Darren Pylot continued, I am pleased to announce we have extended our exclusive discussions with Puerto Ventanas on a port and rail definitive agreement partnership for the Santo Domingo project. This, coupled with a possible gold stream, will significantly reduce the remaining capital needed as we advance discussions with potential strategic partners over the next six months.

2021 GUIDANCE	Pinto Valley	Cozamin	Santo Domingo ² Total
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Production and Cost (US\$)

Copper production (million pounds)	127 – 137	48 – 53	-	175 – 190
C1 Cash Cost ¹	\$2.00 – \$2.15	\$1.00 – \$1.15	-	\$1.75 – \$1.90
Capital Expenditure (US\$ millions, rounded)				
Sustaining	\$43	\$25	-	\$68
Capitalized Stripping - Expansionary	\$7	-	-	\$7
Expansionary	\$20	\$13	\$20	\$53
Total Capital Expenditure	\$70	\$38	\$20	\$128
Exploration (US\$ millions, rounded)				
Brownfield (Cozamin)	-	\$5	-	\$5
Greenfield (Mexico and Brazil)	-	-	-	\$4
Total Exploration	-	\$5	-	\$9

² On a 100% basis, the figure for expansionary capital at Santo Domingo is \$29 million; \$20 million is Capstone's 70% ownership.

Sustainable 200 Million Pounds Production By 2022

2020 was a pivotal year for Capstone, at both Cozamin and Pinto Valley, as several projects were implemented to increase throughput and lower costs.

At Cozamin, the one-way ramp connection was completed in December which will lead to a 30% increase in mining rates to 3,800 tonnes per day (“tpd”), supported by a higher grade mine plan, which will deliver 50 million pounds of copper production and higher moving forward.

At Pinto Valley, Phase 1 of the PV3 Optimization was executed and the result of improved blast fragmentation in the mine, increased online time in the crushing plant, and higher mill throughput has translated to sustainable gains in overall performance. In 2021, Capstone expects mill throughput to average 56,000-57,000 tpd, which is a 10% increase in throughput from 2019 levels, and is targeting an increase to 60,000 to 63,000 tpd by 2022 following Phase 2 of PV3 Optimization work this year. The \$20 million of expansionary work this year includes the replacement of another secondary crusher with 50% more capacity, upgrades to conveyors in the fine crushing plant, a mill shell replacement and upgrades to the tailings thickeners to improve water reclaim capability. All the PV3 Optimization projects will be included in an updated 43-101 Technical Report for Pinto Valley in H2 2021.

TWO HIGH IMPACT AND HIGH RETURN PROJECTS TO ADVANCE STARTING IN Q1 2021

Cozamin – Paste Backfill and Dry Stack Tailings

In early Q1, Capstone will release an updated technical report for Cozamin which will include a new Reserve and Resource, inclusive of all the drilling completed in 2020, and results of the underground paste backfill prefeasibility study (“PFS”) to assess the potential for increasing the extraction ratio from Vein 20 in the Mala Noche Footwall Zone (“MNFWZ”). The current life of mine plan released in September 2020 excluded these pillars and assumed an extraction ratio of 74%, leaving 3.5 million tonnes of Indicated Mineral Resources grading 1.89% copper and 42 g/t silver in unmined pillars that is the subject of the PFS. These pillars, plus additional reserves from drilling, represent increased mine life potential. The \$45 to \$50 million project will commence this year and when in operation, targeted for Q1 2023, will allow for maximizing the extraction of high-grade ore. It will also improve environmental performance given 60% of our tailings will be sent underground and the remaining tailings will employ best practice dry-stack technology.

Pinto Valley – Eriez HydroFloat Coarse Particle Floatation

The Eriez HydroFloat project is currently in final stage gate review following positive pilot plant testing which showed that a 6 to 8% increase in overall copper recovery at Pinto Valley is achievable. Furthermore, this technology will allow the operation increased throughput by operating at a coarser grind size, which is expected to lower power costs, improve water consumption and lead to higher stability in the tailings storage facility. Following final approval in Q1 2021, the \$50 to \$70 million expansionary capital will be spread over 2021 and early 2022, with start-up expected in Q2 2022. This will add to the \$20 million of expansionary capital guidance for this year. Capstone will provide an update on the Eriez HydroFloat project in our 2020 results news release on February 24, 2021.

FUTURE GROWTH

Santo Domingo – Capstone Enters into Exclusive Discussions with Puerto Ventanas for the Port and Rail

In September 2020, Capstone announced it had entered into a memorandum of understanding (“MOU”) with Puerto Ventanas S.A. for the Santo Domingo project’s port and rail. A mutually attractive proposal is now being considered with synergies in business strategies identified. Exclusive negotiations around a proposed economic offer and framework agreement are ongoing. In addition to a port and rail deal with Puerto Ventanas, a gold stream and a strategic partnership are key deliverables for Capstone during H1 2021.

PV4 Study

Work on scenarios to take advantage of approximately one billion tonnes of Resource at similar grade to Pinto Valley’s current Reserves will be conducted. Extensive column leach test work in collaboration with Jetti Resources will take place over 2021. The Jetti catalytic technology has been a success at Pinto Valley’s leaching operation, where we expect to recover up to 350 million pounds of cathode copper over the current mine life from historic and new mineralized waste piles. Capstone is a pioneer of this leach technology and we intend to use it to enhance the economics of a future expansion at Pinto Valley. Other technologies we are studying include autonomous trucking that could lower mining costs up to 30%. The PV4 study is expected to be released in 2022, and will contemplate using existing mill infrastructure rather than building new, with higher mining rates, higher cut-off grades to the mill and increased tonnage available for leaching.

EXPLORATION UPDATE

The 2021 budget for brownfield exploration is \$5 million and \$4 million for greenfield exploration in Mexico and Brazil. Refer to the Exploration page on Capstone’s website for detailed information. An exploration update will be released in Q1 detailing recent exploration results and plans for 2021.

Cozamin Step-Out Drill Program

An 80-hole step-out drill program at Cozamin is targeting the down dip extension to the southeast of both Vein 10 and Vein 20 of the MNFWZ and extension to the west of the MNFWZ. The MNFWZ West is a new copper-silver target identified in November 2020, resulting from a reinterpreted vein model, and is accessible from both the historic San Roberto mine and the current MNFWZ Vein 20 mine. Drilling at the MNFWZ West target has commenced and will take priority over the East during 2021, as accessibility is better in the West. The East target will be easier to access following the development of an exploration drift this year.

Figure 1 – Two areas of active expansion exploration at Cozamin including MNFWZ West and MNFWZ East

EXECUTIVE ANNOUNCEMENTS

Brad Mercer has been appointed to the position of Senior Vice President and Chief Operating Officer. Brad joined Capstone over 15 years ago and is a valued member of the senior leadership team. Over the past few years, Brad has demonstrated his operational excellence through the execution of the mine expansion project at Cozamin. In combination with his expertise in geology, his innovative lens on operations will be a significant benefit to Capstone's operating assets. Brad will provide operational leadership and oversight to both Pinto Valley and Cozamin and will also continue to oversee all exploration activities.

Wendy King has an expanded role that will include her senior executive oversight on environment, social and governance (ESG). Her position is now Senior Vice President, Risk, ESG and General Counsel. In addition to leading matters relating to legal corporate governance insurance and overseeing the enterprise-wide risk management strategy, she will now lead the company's strategy for ESG and sustainability.

Q4 2020 RESULTS CONFERENCE CALL AND WEBCAST DETAILS

Capstone will release its 2020 fourth quarter results on Wednesday, February 24, 2021 before market open, followed by an investor webcast and conference call on the same day at 11:30 am ET (8:30 am PT).

Link to the webcast and audio:

https://produceredition.webcasts.com/starthere.jsp?ei=1420420&tp_key=d986555c4e

Dial-in numbers for the audio-only portion of the conference call are below. Due to an increase in call volume, please dial-in at least five minutes prior to 11:30 am ET to ensure placement into the conference line on time.

Toronto: (+1) 416-764-8650
Vancouver: (+1) 778-383-7413
North America toll free: 888-664-6383
Confirmation #59411728

A replay of the conference call will be available until March 3, 2021. Dial-in numbers for Toronto: (+1) 416-764-8677 and North American toll free: 888-390-0541. The replay code is 411728#. Following the replay, an audio file will be available on Capstone's website at: <https://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 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 owns 70% of Santo Domingo, a large scale, fully permitted, copper-iron-gold 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 expected success of the underground paste backfill system study, 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, the estimations for potential quantities and grade of inferred resources and exploration targets, 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, including our ability to finance the 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.](#)'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 23, 2020, "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 and Chief Operating Officer.

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.

C1 Cash Costs Per Payable Pound of Copper Produced

C1 cash costs per payable pound of copper produced is net of by-product credits and 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 and assumes that realized by-product prices are consistent with those prevailing during the reporting period.

Net Debt

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

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

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