

Capstone Increases Net Cash¹ Position to \$208 Million; Reiterates Annual Guidance as Cozamin Mine Achieves Record Quarterly Production in Q3 2021

26.10.2021 | [Business Wire](#)

(All amounts in US\$ unless otherwise specified)

[Capstone Mining Corp.](#) ("Capstone" or the "Company") (TSX:CS) today announced production and financial results for the three ("Q3 2021") and nine months ("2021 YTD") ended September 30, 2021. Consolidated copper production totaled 44.4 million pounds at C1 cash costs¹ of \$1.96 per payable pound of copper produced. [Link HERE](#) for Capstone's Q3 2021 management's discussion and analysis ("MD&A") and financial statements and [HERE](#) for the webcast presentation.

Darren Pylot, President and CEO of Capstone commented, "This year Pinto Valley Mine and the communities nearby have faced wildfires and floods and I'm proud of Capstone's contribution in emergency relief efforts that made a real difference. Despite extreme conditions the Mine is still on track to meet annual guidance which is a testament to the leadership and overall talent at Pinto Valley, enabled by the optimization investments we have made over the past few years. Capstone is committed to climate change action to build resilient operations and stronger communities. Our ESG Strategy and Responsible Sourcing Project will be key to achieve long-term sustainability and I look forward to unveiling them in 2022."

Brad Mercer, SVP & COO added, "Severe floods in July & August in Arizona resulted from heavy rains on terrain burned clean by wildfires just weeks prior. While the first half of the quarter saw significantly reduced mining and milling rates due to the extreme wet conditions, from September to present the operation has averaged over 60,000 tonnes per day throughput boosted by the completion of our PV3 Optimization project". Mr. Mercer continued, "Once again I'm very pleased with our Cozamin Mine performance. We exceeded guidance by delivering low cost, record production that distinguishes this operation as a first quartile asset."

OPERATIONAL & FINANCIAL OVERVIEW

- Cash and short-term investments grew by \$36.7 million to \$208.2 million during the three months ending September 30, 2021. The Company's total available liquidity¹ was \$433.2 million with nil long-term debt. The balance sheet was enhanced by continued strong operating cash flow generation during Q3 2021.
- Operating cash flow before changes in working capital¹ of \$67.1 million in Q3 2021 driven by strong revenue in a plus \$4 copper environment. Operating cash flow and earnings were negatively impacted by \$10.0 million of realized loss on provisional price adjustments plus lag in sales timing of 3.3 million pounds of copper, impact of approximately \$6 million after-tax during the quarter.
- Net income of \$35.0 million, or \$0.09 per share for Q3 2021. Adjusted net income¹ of \$35.3 million or \$0.09 per share.
- Adjusted EBITDA¹ for Q3 2021 of \$72.3 million and 2021 YTD of \$318.9 million. Adjusted EBITDA¹ is reflective of Capstone's strong operational performance and financial leverage of the Company's EBITDA¹ in a robust copper price environment.
- Consolidated copper production of 44.4 million pounds at C1 cash costs¹ of \$1.96 per payable pound of copper produced. Consolidated copper production for 2021 YTD of 135.5 million pounds at C1 cash costs¹ of \$1.85 per payable pound of copper produced are on track with 2021 guidance.
- Cozamin Mine achieved another record quarterly copper production of 14.1 million pounds at \$0.93 per payable pound of copper produced and attained targeted new run rate of 3,854 tpd. Q3 2021 production was 33% higher than in Q3 2020 following commissioning of the Calicanto one-way ramp in Q1 2021.

- Pinto Valley Mine quarterly production and C1 cash costs¹ were negatively impacted by an estimated 10% to 30.3 million pounds at \$2.44 per payable pound produced by heavy monsoon rains in July and August causing lower mining and milling rates. While the first half of the quarter saw extreme wet conditions, from September to present the Operation has averaged over 60,000 tonnes per day ("tpd") upon completion of the PV3 optimization work.
- There remains strong interest in Santo Domingo and discussions are advancing well. The Santo Domingo project is a very attractive project and it retains a Decree Law 600 ("DL 600") Tax Invariability Agreement which is expected to protect the project from any potential mining royalty tax changes for the majority of the current mineral reserve.

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

Operational Overview

Refer to Capstone's Q3 2021 MD&A and Financial Statements for detailed operating results.

	Q3 2021	Q3 2020	2021 YTD	2020 YTD
Copper production (million pounds)				
Pinto Valley	30.3	27.9	96.2	84.9
Cozamin	14.1	10.6	39.3	27.6
Total	44.4	38.5	135.5	112.5
Copper sales				
Copper sold (million pounds)	39.6	39.8	131.9	108.1
Realized copper price (\$/lb.)	4.15	3.13	4.35	2.75
C1 cash costs ¹ (\$/lb.) produced				
Pinto Valley	2.44	2.38	2.22	2.30
Cozamin	0.93	0.36	0.95	0.71
Consolidated	1.96	1.82	1.85	1.91
Consolidated				

Q3 2021 production was 15% higher than Q3 2020 mainly as a result of record copper production at Cozamin driven by maximizing mill throughput due to successful one-way ramp utilization and higher mine grades at both mines.

2021 YTD consolidated production of 135.5 million pounds of copper is on track with full year guidance of 175 to 190 million pounds of copper. The production results demonstrate a 20% growth compared to prior year, benefiting from Cozamin achieving the new higher run rates (3,854 tpd) and benefits of PV3 Optimization projects at Pinto Valley. The increase in production was the main driver for the \$0.06 per payable pound decrease in C1 cash costs¹ in 2021 YTD compared to 2020 YTD. 2021 YTD C1 cash costs¹ are also on track with annual guidance of \$1.75 to \$1.90 per payable pound.

Pinto Valley Mine

Q3 2021 production was higher than the same period last year primarily on higher grades Q3 2021 (0.33% versus 0.31% in Q3 2020) as a result of mine sequencing and an increase in cut off grade to the mill, sending the lower grade ore to leach. Pinto Valley production during Q3 2021 was lower than expected due

to severe monsoon rainstorms in July and August. Extreme wet conditions led to reduced mining and mill throughput rates while lightning limited outdoor activities which prolonged the completion of scheduled maintenance work. In August, record precipitation caused erosion of burnt terrain resulting in unprecedented floods and mud slides that affected neighbouring communities in the Globe-Miami area. Pinto Valley workers were involved in emergency evacuation and land remediation efforts, which altered work schedules during August. PV3 optimization work is now complete and the mine achieved rates of 60,000 tpd in September and similar throughput rates in October.

Q3 2021 sales were impacted by buildup of copper concentrate inventory at Pinto Valley due to the strong production levels in the month of September 2021.

Ramp up of production at the Molybdenum plant at Pinto Valley is progressing and expected to be completed during Q4 2021, improving by-product credits.

2021 YTD production increased by 13% compared to the same period last year due to higher head grades for 2021 YTD (0.34% versus 0.30% in 2020 YTD) and improved flotation plant recovery performance (87.3% versus 84.5% in 2020 YTD).

C1 cash costs¹ of \$2.44 per payable pound in Q3 2021 were higher than Q3 2020 mainly due to lower capitalized stripping costs of \$0.11 per pound during the quarter (\$2.4 million versus \$5.1 million in Q3 2020) and lower by-product credits on gold, partially offset by higher Q3 2021 production compared to Q3 2020.

A decrease in 2021 YTD C1 cash cost¹ by \$0.08 per payable pound was primarily attributed to higher production compared to the same period last year.

Cozamin Mine

Production in Q3 2021 was 33% higher than the same period last year and a record production quarter for Cozamin. Higher copper production was primarily due to the successful utilization of the Calicanto one-way ramp which increased mill rates from 3,090 tpd in Q3 2020 to 3,854 tpd in Q3 2021. In addition, with the optimized technical report, the mine plan is delivering significantly higher mine grades (1.87% in Q3 2021 versus 1.77% in Q3 2020) from the copper rich San Jose and Calicanto zones.

2021 YTD production increased by 42% compared to the same period last year mainly due to higher mill throughput (3,678 tpd versus 2,903 tpd in 2020 YTD) and head grades (1.84% versus 1.65% in 2020 YTD).

C1 cash costs¹ in Q3 2021 were higher than the same period last year due to \$0.29 per payable pound impact of the Cozamin Silver Stream with [Wheaton Precious Metals Corp.](#) ("Wheaton") for 50% of the silver sales and higher production cost attributed to higher operating development meters executed.

C1 cash costs¹ in 2021 YTD were higher than the same period last year due to \$0.30 per payable pound impact of the Cozamin Silver Stream with Wheaton for 50% of the silver sales. The cost per payable pound impact of the Cozamin Silver Stream was partially offset by higher production.

Financial Overview

Refer to Capstone's Q3 2021 MD&A and Financial Statements for detailed financial results.

	Q3 2021	Q3 2020	2021 YTD	2020 YTD
Revenue (\$ millions)	165.4	130.5	578.9	305.1
Net income (loss) (\$ millions)	35.0	2.3	211.5	(15.1)

Net income (loss) attributable to shareholders (\$ millions)	35.0	2.4	185.4	(15.0)
Net income (loss) attributable to shareholders per common share - basic (\$)	0.09	0.01	0.46	(0.01)
Net income (loss) attributable to shareholders per common share - diluted (\$)	0.08	0.01	0.45	(0.01)
Adjusted net income (loss) ¹ (\$ millions)	35.3	9.5	168.4	(8.3)
Adjusted net income (loss) attributable to shareholders ¹ (\$ millions)	35.3	9.5	168.4	(8.3)
Adjusted net income (loss) attributable to shareholders per common share - basic ¹ (\$)	0.09	0.02	0.42	(0.01)
Adjusted net income (loss) attributable to shareholders per common share - diluted ¹ (\$)	0.09	0.02	0.41	(0.01)
Adjusted EBITDA ¹ (\$ millions)	72.3	51.6	318.9	75.0
Cash flow from operating activities ² (\$ millions)	70.0	27.7	458.9	79.0
Cash flow from operating activities per common share ¹ - basic (\$)	0.17	0.07	1.13	0.20
Operating cash flow before changes in working capital ^{1,2} (\$ millions)	67.1	44.9	451.6	65.0
Operating cash flow before changes in working capital per common share ¹ - basic (\$)	0.16	0.11	1.11	0.10

September 30, December 31,
2021 2020

Total assets (\$ millions)	1,637.6	1,391.6
Long term debt (excluding financing fees) (\$ millions)	-	184.9
Total non-current financial liabilities (\$ millions)	38.0	183.6
Total non-current liabilities (\$ millions)	462.2	408.5
Cash and cash equivalents and short-term investments (\$ millions)	208.2	60.0
Net cash/(debt) ¹ (\$ millions)	208.2	(124.9)

² 2021 YTD includes \$180.0 million silver and gold stream proceeds

CORPORATE UPDATE

PV3 Optimization Update

PV3 Optimization Phase 1 work was completed in 2020. Phase 1 work included improved blast fragmentation processes, installation of a new secondary crusher and screen decks as well as a new mill shell. As a result, Pinto Valley was able to reliably achieve throughput of 57,000 tpd to 58,000 tpd in Q4 2020 and Q1 2021.

Phase 2 of the PV3 Optimization work was completed in Q3 2021. Capital was invested into tailings thickeners, pumping upgrades and installation of a new ball mill shell. Phase 2 optimization work further enables the reliability of higher throughput rates at Pinto Valley.

Total capital spent to date on Phase 1 and Phase 2 of PV 3 optimization totalled \$31 million which has enabled 10% increase in throughput to reliably deliver 58,000 tpd on an annualized basis with horsepower to run at 60,000 tpd or higher during peaks.

PV4 Study

Work progressed on the pre-feasibility study for PV4 to take advantage of approximately one billion tonnes of Mineral Resource, not currently in the Mineral Reserve mine plan, which is at similar grade to the current Mineral Reserves at Pinto Valley. The PV4 pre-feasibility study is expected to be released in late 2022 and will focus on utilizing existing mill infrastructure rather than building new to achieve higher mining and milling rates, higher cut-off grades to the mill and increased tonnage available for leaching. Extensive column leach test work in collaboration with Jetti Resources LLC ("Jetti") has commenced and will continue through early 2022 and is being incorporated into the pre-feasibility study. Jetti's novel patented catalytic technology allows for the efficient and effective heap and stockpile leach extraction of copper and has been a success at Pinto Valley's leaching operations. In addition, the PV4 study will look to incorporate Coarse Particle Flotation, which has demonstrated, in pilot trials, the potential for increased recoveries by 6% to 8% while enabling higher throughput by operating at a coarser grind size and providing options to improve water consumption and tailings management.

Pyrite Agglomeration

Pinto Valley is studying the potential to add a pyrite agglomeration circuit to the dump leach process. Currently, the copper concentrate cleaner circuit tailings contain ~0.2% copper and significant pyrite mineral in a slurry containing up to ~3,000 tpd solids. Study work, that will be included in the PV4 pre-feasibility study, is looking into the feasibility of introducing this material into the heap leach dumps to produce numerous potential benefits including the following:

1. Leaching the copper contained in a portion of the tailings stream for added copper recovery;
2. Oxidation of the pyrite generates free acid and would offset the requirement to purchase acid for leaching;
3. Diverting this material from tailings impoundment has ESG benefits from reduced water consumption and a significant reduction in acid generating minerals reporting to tailings.

Santo Domingo Project

Following consolidation of Capstone's 100% ownership of the Santo Domingo Project ("Santo Domingo" or "the Project") in Region III, Chile during Q1 2021, the Company continued to advance the project on several fronts:

- There remains strong interest in Santo Domingo and discussions are advancing well. Santo Domingo is currently the only fully permitted copper-iron project in Chile.
- With respect to the reduced initial capital estimate, the Company and its port partner, Puerto Ventanas, are executing on early works in the framework agreement. In addition, the Company is advancing the analysis of the pipeline versus rail capital trade-off in which the proposals replace the pipeline capital to become a rail customer or a potential build, own, operate and transfer ("BOOT") contract on the pipeline. The end result is expected to be a reduction in initial capital of up to \$150 million.
- With respect to potential increases in the Chilean mining royalty tax, Santo Domingo is expected to be protected given the fact the Company retains a foreign investment contract with the state of Chile, which fell under the provisions of DL600. One of the benefits to the Company of this agreement is a tax invariability system for a period of 15 years post commercial production.
- The cobalt feasibility study focused in Q3 2021 on new drilling to obtain samples for extensive bench scale testing that commenced during the quarter. The drilling delivered 7,600m of PQ core to be used as 140 individual samples for flotation-roast-leach flowsheet confirmation work and geometallurgical characterization. In parallel, several industrial visits took place in July and August to operating facilities and technology providers in Europe in order to gain insight on sulphide concentrate roast-leach facilities and associated processing technologies. The drilling campaign is ongoing and now focused on generation of sufficient sample mass for 2022 pilot scale testing of the cobalt recovery process.
- The first of a total of two stages of the cobalt feasibility engineering work, covering prefeasibility-level activities, started in September and is expected to finalize in March 2022. The scope of work includes parallel execution of different trade-off studies focused on various concentrate oxidation technologies and different options for detailed production scheduling from a geological and mine planning perspective. The engineering work also addresses all relevant ESG aspects early on to assure smooth integration of the selected process route into the more developed copper and iron plant at Minera Santo Domingo. All work is progressing with support of several global and highly qualified consultant and technology providers so that delivery of the overall cobalt feasibility project, according to the earlier announced budget and schedule, is assured.

Cost Control

Cost control strategy included few of the following actions taken by the Company. During 2020, financial hedges were executed on foreign exchange rates to protect approximately half of the Company's Mexican Peso exposure from August 2020 through December 2021. The realized gain on the Mexican Peso zero cost collars was \$2.0 million for the nine months ended September 30, 2021.

Pinto Valley fixed diesel prices with a supplier on its expected 2021 and 2022 diesel consumption at \$1.76/gallon and \$2.13/gallon, respectively. The fixed diesel prices have resulted in cost savings of \$1.4 million and \$3.3 million during the three and nine months ended September 30, 2021, respectively. At current prices is expected to yield additional savings of approximately \$5 million over the remainder of 2021 and 2022.

OUTLOOK - 2021 GUIDANCE

Capstone remains on track 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.

Capital guidance has changed from the amount reported in the Company's MD&A dated July 27, 2021. Pinto Valley capital guidance has decreased by \$12 million (\$7 million reduction in sustaining capital and \$5 million reduction in expansionary capital). Cozamin expansionary capital has increased by \$7 million due to pre-ordering the filters for dry stack tailings plant, no increase overall to the project.

CONFERENCE CALL AND WEBCAST DETAILS

Capstone will host a conference call and webcast on Wednesday, October 27, 2021 at 10:00 am PT/1:00 pm ET.

Link to the audio webcast:

https://produceredition.webcasts.com/starthere.jsp?ei=1505322&tp_key=98d4b26da7

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 the call 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 #06479965

A replay of the conference call will be available until November 3, 2021. Dial-in numbers for Toronto: (+1) 416-764-8677 and North American toll free: 888-390-0541. The replay code is 479965#. 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 and nine months ended September 30, 2021, which are available on Capstone's website and on SEDAR, all of which have been reviewed and approved by Capstone's Board of Directors.

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 100% of Santo Domingo, a large scale, fully permitted, copper-iron-gold project in Region III, Chile, 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) under the symbol CS.

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 timing, operations and success of the underground paste backfill system study and tailings filtration project at Cozamin, the outcome and timing of the PV4 study, the timing and success of our use of the Jetty Technology, the successful execution of a port services agreement with Puerto Ventanas and/or rail agreement with Sigdo Kopper's rail business, the success of our strategic process for the Santo Domingo project, the expected reduction in capital requirements for the Santo Domingo project, the timing and success of the Cobalt Study for Santo Domingo, the success of the PV3 Optimization project, the realization of Mineral Reserve estimates, the timing and amount of estimated future production, costs of production and capital expenditures and reclamation, the success of our mining operations, the 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, Capstone's ability to finance the Santo Domingo project, Capstone's ability to find a strategic partner, 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 "anticipates", "approximately", "believes", "budget", "estimates", "expects", "forecasts", "guidance", "intends", "plans", "scheduled", "target", or variations of such words and phrases, or statements that certain actions, events or results "be achieved", "could", "may", "might", "occur", "should", "will be taken" or "would" or the negative of these terms or comparable terminology. In this document certain forward-looking statements are identified by words including "anticipated", "expected", "guidance" and "plan". 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, availability of water, 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 and potential legal challenges to permit applications, contractual risks including but not limited to, our ability to meet the completion test requirements under the Cozamin Silver Stream Agreement with Wheaton Precious Metals, our ability to meet certain closing conditions under the Santo

Domingo Gold Stream Agreement with Wheaton Precious Metals, acting as Indemnitor for Minto Exploration Ltd.'s surety bond obligations post divestiture, impact of climate change and changes to climatic conditions at our Pinto Valley and Cozamin operations and Santo Domingo project, changes in regulatory requirements and policy related to climate change and greenhouse gas ("GHG") emissions, 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, increased cost of reclamation, challenges to title to our mineral properties, increased taxes in jurisdictions the Company operates or is subject to tax, changes in tax regimes we are subject to and any changes in law or interpretation of law may be difficult to react to in an efficient manner, 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 including but not limited to competition for skilled labour, risks associated with joint venture partners, our ability to integrate new acquisitions and new technology into our operations, cybersecurity threats, legal proceedings, the volatility of the price of the Common Shares, the uncertainty of maintaining a liquid trading market for the Common Shares, risks related to dilution to existing shareholders if stock options or other convertible securities are exercised, the history of Capstone with respect to not paying dividends and anticipation of not paying dividends in the foreseeable future, and sales of Common Shares by existing shareholders can reduce trading prices, 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 and Annual Information Form, 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.

CAUTIONARY NOTE TO UNITED STATES INVESTORS REGARDING PRESENTATION OF MINERAL RESERVE AND MINERAL RESOURCE ESTIMATES

As a British Columbia corporation and a "reporting issuer" under Canadian securities laws, we are required to provide disclosure regarding our mineral properties in accordance with Canadian National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101"). NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. In accordance with NI 43-101, we use the terms mineral reserves and resources as they are defined in accordance with the CIM Definition Standards on mineral reserves and resources (the "CIM Definition Standards") adopted by the Canadian Institute of Mining, Metallurgy and Petroleum. In particular, the terms "mineral reserve", "proven mineral reserve", "probable mineral reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" used in this news release and the documents incorporated by reference herein and therein, are Canadian mining terms defined in accordance with CIM Definition Standards. These definitions differ from the definitions in the disclosure requirements promulgated by the SEC. Accordingly, information contained in this news release and the documents incorporated by reference herein may not be comparable to similar information made public by U.S. companies reporting pursuant to SEC disclosure requirements.

United States investors are also cautioned that while the SEC will now recognize "measured mineral resources", "indicated mineral resources" and "inferred mineral resources", investors should not assume that any part or all of the mineralization in these categories will ever be converted into a higher category of mineral resources or into mineral reserves. Mineralization described using these terms has a greater amount of uncertainty as to their existence and feasibility than mineralization that has been characterized as reserves. Accordingly, investors are cautioned not to assume that any "measured mineral resources", "indicated mineral resources", or "inferred mineral resources" that we report are or will be economically or legally mineable. Further, "inferred resources" have a greater amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist. In accordance with Canadian rules, estimates of "inferred mineral resources" cannot form the basis of feasibility or other economic studies, except in limited circumstances where permitted under NI 43-101.

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 (technical information related to mineral exploration activities and to Mineral Resources at Cozamin), Clay Craig, P.Eng, Manager, Mining & Evaluations (technical information related to Mineral Reserves and Mineral Resources at Pinto Valley), Tucker Jensen, Superintendent Mine Operations, 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.

Some of these alternative performance measures are presented in Highlights and discussed further in other sections of this document. 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 measure reflective of operating costs per unit. C1 cash costs is calculated as cash production costs of metal produced 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 cash

Net debt/Net cash is a performance measure used by the Company to assess its financial position and is comprised of Long-term debt (excluding deferred financing costs), Cash and cash equivalents and Short-term investments.

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.

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Sustaining capital

Sustaining capital is expenditures to maintain existing operations and sustain production levels. A reconciliation to GAAP segment MPPE additions is included within the mine site sections of this document.

Expansionary capital

Expansionary capital is expenditures to increase current or future production capacity, cash flow or earnings potential. A reconciliation to GAAP segment MPPE additions is included within the mine site sections of this document.

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