MANAGEMENT'S DISCUSSION AND ANALYSIS

AND

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

For the Three Months Ended
March 31, 2019

(Expressed in US Dollars)

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
CAPSTONE MINING CORP.
FOR THE THREE MONTHS ENDED MARCH 31, 2019

Capstone Mining Corp. ("Capstone" or the "Company") has prepared the following management's discussion and analysis (the "MD&A") as of April 24, 2019 and it should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and notes thereto for the three months ended March 31, 2019. All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and all dollar amounts presented are United States ("US") dollars unless otherwise stated.

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. Forward-looking statements include, but are not limited to, statements with respect to the estimation of mineral resources and mineral reserves, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production and capital expenditures, the success of our mining operations, environmental risks, unanticipated reclamation expenses and title disputes. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document certain forward-looking statements are identified by words including "anticipation", "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, changes in general economic conditions, accuracy of mineral resource and mineral reserve estimates, operating in foreign jurisdictions with risk of changes to governmental regulation, compliance with governmental regulations, compliance with environmental laws and regulations, reliance on approvals, licences and permits from governmental authorities, impact of climatic conditions on our Pinto Valley , Cozamin and Minto operations, aboriginal title claims and rights to consultation and accommodation, land reclamation and mine closure obligations, uncertainties and risks related to the potential development of the Santo Domingo Project, increased operating and capital costs, challenges to title to our mineral properties, maintaining ongoing social license to operate, dependence on key management personnel, potential conflicts of interest involving our directors and officers, corruption and bribery, limitations inherent in our insurance coverage, labour relations, increasing energy prices, competition in the mining industry, risks associated with joint venture partners, our ability to integrate new acquisitions into our operations, cybersecurity threats, legal proceedings, and other risks of the mining industry as well as those factors detailed from time to time in the Company's interim and annual financial statements and 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.

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Nature of Business

Capstone, a Canadian mining company publicly listed on the Toronto Stock Exchange, is engaged in the production of and exploration for base metals centered in the Americas, with a focus on copper. Pinto Valley Mining Corp., a wholly owned US subsidiary, owns and operates the copper Pinto Valley Mine located in Arizona, US. Capstone Gold, S.A. de C.V., a wholly owned Mexican subsidiary, owns and operates the polymetallic Cozamin Mine located in Zacatecas, Mexico, and has a portfolio of exploration properties in Mexico. Minto Explorations Ltd. (“Minto”), a wholly owned Canadian subsidiary, owns the copper Minto Mine located in Yukon, Canada. The Minto mine has been classified and accounted for it as a disposal group held for sale and as a discontinued operation (see the Minto – Discontinued operation section below). Capstone Mining Chile SpA, a wholly owned Chilean subsidiary, is performing exploration for base metal deposits in Chile.

0908113 B.C. Ltd. (“Acquisition Co.”) is a 70% owned subsidiary of Capstone and 30% owned by Korea Resources Corp. (“KORES”). Through Acquisition Co.’s wholly-owned Canadian subsidiary, Far West Mining Ltd. (“Far West”), Acquisition Co. is engaged in exploration for and development of base metal deposits primarily in Chile. Minera Santo Domingo SCM (“Santo Domingo”), a 100% owned subsidiary of Far West, holds the Santo Domingo copper-iron project in Chile.

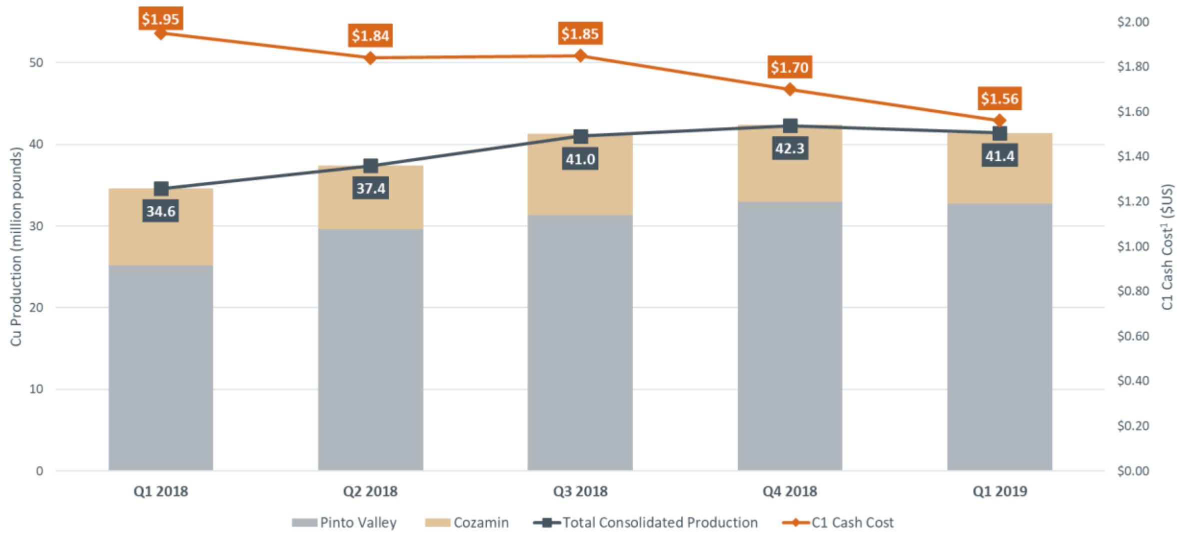
Minto – Discontinued Operation

Capstone put Minto on care and maintenance during the fourth quarter of 2018 (“Q4 2018”), while continuing to hold for sale.

Capstone continues to account for Minto as a non-current asset held for sale as at March 31, 2019 and as a discontinued operation for the three months ended March 31, 2019 for financial reporting purposes in accordance with IFRS 5 Non-current assets held for sale and discontinued operations (“IFRS 5”).

Highlights – Q1 2019

- **20% increase in Q1 2019 copper production to 41.4 million pounds compared to Q1 2018. 20% reduction in C1 cash cost[1] to $1.56/lb compared with $1.95/lb in Q1 2018.**



- **Fourth consecutive quarter of improved operating results with a focus on cost reduction, driving down costs to the lowest quarterly C1 cash cost[1] since 2016.**
- **Adjusted EBITDA from continuing operations[1] increased 39% to $41.8 million (Q1 2018 $30.0 million).** The increase in EBITDA was driven primarily by improved profitability at Pinto Valley due to the focus on lowering operating costs and due to lower general and administrative costs as a result of the corporate restructuring to a decentralized model in Q4 2018.
- **Operating cash flow before changes in working capital[1] increased 25% to $30.7 million.** Operating cash flow could have been higher had copper sales from continuing operations of 35.3 million pounds equalled copper production from continuing operations of 41.4 million pounds.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Operational Overview

	Q1 2019	Q1 2018
Copper Production (million pounds)		
Pinto Valley	32.7	25.2
Cozamin	8.7	9.4
Total from continuing operations	**41.4**	**34.6**
Total copper sales from continuing operations (million pounds)	**35.3**	**35.2**
C1 Cash Cost[1] ($/lb) Produced		
Pinto Valley	1.79	2.41
Cozamin	0.70	0.71
Consolidated from continuing operations	**1.56**	**1.95**

Q1 2019 saw a 20% increase in consolidated production and 20% reduction in consolidated C1 cash cost[1] compared to Q1 2018.

Pinto Valley Mine:
Production was 30% higher and C1 cash cost[1] was 26% lower (Q1 2019 vs. Q1 2018).

Pinto Valley improved reliability in the crushing and milling circuits averaging 54,800 tonnes per day ("tpd") as well as improved cost control (with absolute cash production costs decreasing 7% in Q1 2019 vs. Q1 2018), resulting in steady state production performance and improved C1 cash cost[1].

Cozamin Mine:
Production continued to benefit from additional tonnes mined from the San Rafael zinc zone, which ramped up to planned levels in Q3 2018, utilizing some of the unused mill capacity. As a result, throughput increased by approximately 700 tpd (3,038 tpd vs. 2,366 tpd) and zinc production increased 215% (5.5 million pounds vs. 1.8 million pounds) compared to Q1 2018.

C1 cash cost[1] in Q1 2019 remained consistent due to the increased by-product revenue, primarily related to zinc, being offset by higher operating costs. Operating costs were impacted by increased power, haulage and development costs. Operating development meters increased related to mining the San Rafael zone and the new reserve areas.

Development work commenced during Q1 2019 in relation to the one-way development ramp to eliminate the production bottleneck and fill the mill to nameplate capacity. This is expected to result in an approximate 30% increase in expected throughput, to approximately 3,800 tonnes per day by the end of 2020, increasing annual production from current levels of between 30 to 35 million pounds to between 40 to 45 million pounds of copper.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Financial Overview

	Q1 2019	Q1 2018[3]
Revenue from continuing operations[2] ($ millions)	**108.9**	**103.7**
Net income from continuing operations ($ millions)	**12.0**	**10.3**
Net income from continuing operations attributable to shareholders ($ millions)	**12.0**	**10.5**
Net income from continuing operations attributable to shareholders per common share – basic and diluted ($)	*0.03*	*0.03*
Net income ($ millions)	**8.3**	**6.7**
Net income attributable to shareholders ($ millions)	**8.3**	**7.0**
Net income attributable to shareholders per common share – basic and diluted ($)	*0.02*	*0.02*
Adjusted EBITDA[1] from continuing operations ($ millions)	**41.8**	**30.0**
Cash flow from operating activities[2] ($ millions)	**28.7**	**32.8**
Cash flow from operating activities per common share[1,2] - basic ($)	0.07	0.08
Operating cash flow before changes in working capital[1,2] ($ millions)	**30.7**	**24.6**
Operating cash flow before changes in working capital per common share[1,2] – basic ($)	*0.08*	*0.06*
Total assets ($ millions)	**1,350.8**	**1,399.9**
Long term debt (excluding financing fees) ($ millions)	**219.9**	**274.9**
Total non-current financial liabilities ($ millions)	**217.3**	**271.0**
Total non-current liabilities ($ millions)	**390.8**	**420.1**
Net debt[1] ($ millions)	**147.0**	**160.1**

[2] In accordance with IFRS 5, Minto's results are excluded from revenue but included within cash flow amounts in both the current and comparative period.

[3] Effective January 1, 2019, the Company has adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective method which applies the standard prospectively, and as such, figures above related to 2018 have not been restated to conform to IFRS 16. Refer to the Accounting Changes section of this MD&A for more information.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Selected Quarterly Financial Information

($ millions, except per share data)	Q1 2019	Q4 2018**	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017*	Q2 2017
Revenue	108.9	98.0	112.7	101.5	103.7	126.5	118.0	88.0
Earnings from mining operations	29.9	16.7	14.4	25.5	21.8	43.0	29.8	17.1
Net income (loss) from continuing operations attributable to shareholders	12.0	(15.1)	4.3	8.5	10.5	37.4	8.9	11.5
Income (loss) from continuing operations attributable to shareholders per share - basic and diluted	0.03	(0.04)	0.01	0.02	0.02	0.10	0.02	0.03
Net income (loss) attributable to shareholders	8.34	(39.0)	1.5	7.7	7.0	29.5	20.3	12.9
Net income (loss) per share attributable to shareholders - basic and diluted	0.02	(0.10)	0.00	0.02	0.02	0.08	0.05	0.03
Operating cashflow before changes in non-cash working capital[1]	30.7	19.1	25.9	30.7	24.6	38.2	41.4	26.0
Capital expenditures (including capitalized stripping)	23.2	29.1	23.8	27.7	24.3	24.1	16.5	20.6

*The net income attributable to shareholders in Q3 2017 included an impairment reversal of $20.6 million related to Minto mineral property, plant and equipment.

** The net income attributable to shareholders in Q4 2018 included a deferred income tax expense of $17.8 million, primarily associated with the non-cash write-down of deferred tax assets associated with reclamation liabilities for $20.2 million

Revenue and earnings from mining operations above excludes the results of Minto, but operating cash flow includes Minto losses.

Effective January 1, 2018, the Company has adopted IFRS 15 *Revenue from contracts with customers* (“IFRS 15”) using the modified retrospective method which applies the standard retrospectively to only the most current period presented and as such, figures above related to 2017 have not been restated to conform to IFRS 15. Effective January 1, 2019, the Company has adopted IFRS 16 *Leases* (“IFRS 16”) using the modified retrospective method which applies the standard prospectively, and as such, figures above related to 2017 and 2018 have not been restated to conform to IFRS 16. Refer to the Accounting Changes section of this MD&A for more information.

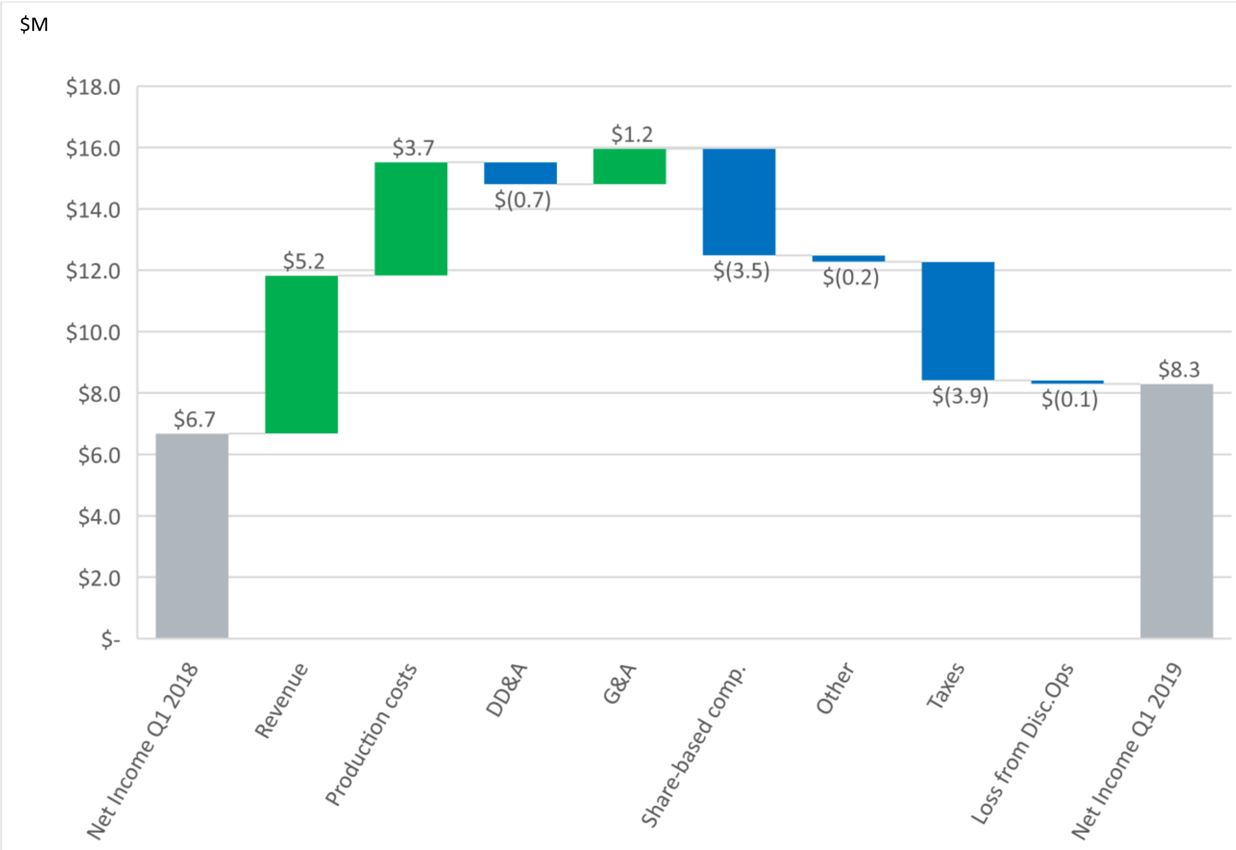
[1] *These are alternative performance measures. Refer to the MD&A section entitled “Alternative Performance Measures”. Certain prior period alternative performance measures have been restated to conform with current period classification.*

Consolidated Results

Consolidated Net Income (Loss) Analysis

Net Income (Loss) for the Three Months Ended March 31, 2019 and 2018

The Company recorded net income of $8.3 million in Q1 2019 compared with net income of $6.7 million in Q1 2018. The major differences are outlined below:



The difference quarter-over-quarter was driven by:

- Increase in revenue from continuing operations of $5.2 million primarily related to higher zinc revenue as result of mining the San Rafael zone at Cozamin.
- Decrease in production costs of $3.7 million, primarily due to:
  - Pinto Valley's production costs decreased by $7.2 million compared to Q1 2018 primarily due to reduction in contractor and diesel costs.
  - Cozamin's production costs increased $3.7 million compared to Q1 2018 due primarily to an increase in tonnes mined (Q1 2019 – 271k tonnes, Q1 2018 – 215k tonnes) due to production from the San Rafael zinc zone ramping up in Q3 2018.
- A decrease in general and administrative expense (G&A expenses) of $1.2 million in Q1 2019 resulting primarily from the corporate restructuring in Q4 2018.
- A $3.5 million increase in share-based compensation expense. In Q1 2018 there was a recovery recognized due to the declining share price during the quarter. During Q1 2019, the share price has remained steady and thereby an expense in the course of regular vesting has been recognized.
- Increase in income taxes related to a higher net income in Q1 2019 v. Q1 2018.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Revenue from Continuing Operations

The increase in revenue primarily relates to increased zinc revenue, with production from the San Rafael zinc zone ramping up to planned levels in Q3 2018. Copper revenue was relatively flat due to similar copper volumes sold (35.3 million vs 35.2 million) and realized prices ($2.99 per pound v. $2.98 per pound). Sales volumes were consistent despite the increase in production Q1 2019 v. Q1 2018 due to a buildup of concentrate inventory in Q1 2019 (sales of 35.3 million pounds v. production of 41.4 million pounds).

Realized Copper Prices

	2019	2018			
	Q1	Q4	Q3	Q2	Q1
Pinto Valley	$2.97	$ 2.65	$ 2.72	$ 3.15	$ 2.96
Cozamin	$3.03	$ 2.69	$ 2.72	$ 3.12	$ 3.09
Total	$2.99	$ 2.66	$ 2.72	$ 3.15	$ 2.98
LME Average	$2.82	$ 2.80	$ 2.77	$ 3.12	$ 3.16
LME Close	$2.94	$ 2.71	$ 2.80	$ 3.01	$ 3.03

Pinto Valley and Cozamin's realized prices in the first quarter of 2019 were impacted by positive price adjustments on Q4 2018 shipments of $2.4 million.

Revenue by Mine

	Q1 2019 [2]		Q1 2018 [2]	
	$ millions	%	$ millions	%
Pinto Valley	76.6	70.3%	73.4	70.8%
Cozamin	32.3	29.7%	30.3	29.2%
Total revenue from continuing operations	108.9	100%	103.7	100%

[2] *The current and subsequent periods may include final settlement quantity and/or price adjustments from prior shipments.*

Provisionally Priced Copper

Gross revenue for the three months ended March 31, 2019 included 45.4 million pounds of copper sold subject to final settlement. Of this, the prices for 16.8 million pounds are final at a weighted average price of $2.77 per pound. The remaining 28.6 million pounds are subject to price change upon final settlement at the end of the applicable quotational period, as follows:

Quotational Period	Millions of Pounds of Copper			Provisional Price ($/pound)
	Pinto Valley	Cozamin	Total	
Apr-19	2.7	-	2.7	$2.94
Jun-19	10.4	2.6	13.0	$2.94
Jul-19	10.9	2.0	12.9	$2.94
TOTAL	24.0	4.6	28.6	

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Reconciliation of Realized Copper Price

The analysis of realized copper price in the table below excludes the results of Minto.

	Q1 2019 $ millions	Q1 2018 $ millions
Gross copper revenue on new shipments	103.0	107.4
Provisional adjustments on prior shipments	2.4	(2.2)
Gross copper revenue	105.4	105.2
Plus: gross revenue from other metals	13.6	8.2
Less: treatment and selling costs	(10.1)	(9.7)
Revenue	108.9	103.7
Payable copper sold (000s pounds)	35,306	35,191
	$/lb	$/lb
Gross copper revenue on new shipments	$ 2.92	$ 3.05
Provisional adjustments on prior shipments	0.07	(0.07)
Foreign currency translation	-	-
Realized copper price	$ 2.99	$ 2.98
LME average copper price	$ 2.82	$ 3.16

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Consolidated Cash Flow Analysis

$ millions	Q1 2019[1]	Q1 2018[1]
Cash flow from operating activities before change in working capital[1]		
Pinto Valley	28.1	17.6
Cozamin	8.0	17.1
Minto	(3.4)	(4.9)
Other	(2.0)	(5.2)
Subtotal cash flow from operating activities before changes in working capital[1]	*30.7*	*24.6*
Changes in working capital	(2.0)	8.2
Total cash flows from operating activities	**28.7**	**32.8**
Capital expenditures	(16.4)	(16.8)
Capitalized stripping	(5.6)	(6.2)
Sale (purchase) of short-term investments	7.0	(62.7)
Receipt against promissory note	0.5	-
Purchase of treasury shares	-	(2.0)
Payments for settlement of derivatives	-	(4.9)
Other financing cash flows	(4.5)	(3.5)
Effect of FX rates on cash	0.4	(0.8)
Net change in cash	**10.1**	**(64.1)**
Opening cash	33.9	116.2
Closing cash (including cash held by discontinued operations. Q1 2019 - $6.9 million, Q1 2018 - $25.8 million)	**44.0**	**52.1**

[1] The consolidated cash flow analysis includes amounts from Minto in both the current and comparative period.

Changes in Cash Flows for the Three Months Ended March 31, 2019 and 2018

The net change in cash was $10.1 million in Q1 2019 compared to $(64.1) million in Q1 2018. The change was primarily due to:

- Cash flow from operating activities before changes in working capital[1]
  - Pinto Valley benefited from 7% lower cash production costs because of improved cost control. Sales volumes and prices were similar.
  - Cozamin was impacted by a $8.7 million increase in net income taxes paid Q1 2019 v. Q1 2018 primarily due to a $6.0 million historic refund received in Q1 2018. Copper sales volumes and realized prices were similar with Q1 2018.
- In Q1 2018, short-term investments of $62.7 million were purchased.
- Absence of cash outflow on payments for settlement of derivatives in Q1 2019.
- Minto cash flows included the sale of final concentrate shipment of 2.4 million pounds.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Operational Results and Project Updates

Pinto Valley Mine – Miami, Arizona (Copper)

Operating Statistics

	2019 Q1	2018 Q1
Production (contained metal and cathode) [2]		
Copper (000's pounds)	32,699	25,179
Mining		
Waste (000s tonnes)	7,876	6,789
Ore (000s tonnes)	4,999	5,066
Total (000s tonnes)	12,875	11,855
Milling		
Milled (000s tonnes)	4,933	4,834
Tonnes per day	54,811	53,716
Copper grade (%)	0.35	0.27
Recoveries		
Copper (%)	84.3	83.1
Concentrate Production		
Copper (dmt)	56,146	43,847
Copper (%)	25.7	25.0
Site operating costs [1,3] ($/t milled)	$8.82	$9.78
Payable copper produced (000's pounds)	31,584	24,332
Copper C1 cash cost [1] ($/lb payable copper produced)	$1.79	$2.41
Adjusted EBITDA [1] ($ millions)	$25.3	$17.8

[2] *Adjustments based on final settlements will be made in future quarters.*

[3] *Site operating costs is cash production costs of metal produced (excluding cathode production costs)* [1]

Operational and C1 Cash Cost[1] Update

At Pinto Valley, production in Q1 2019 increased compared to Q1 2018 as a result of a higher copper grade and increased mill throughput as a result of improvements in the maintenance program and mine sequencing. Q1 2019 head grade benefited from mining higher grade pit bottom material.

Pinto Valley's C1 cash cost[1] per payable pound produced in Q1 2019 decreased by 26% compared to Q1 2018 primarily due to higher production, lower processing plant costs, as well as lower labour and contractor costs. Cash production costs were lower by $3.5 million, despite higher mining and mill production rates.

Investing Activities

Sustaining capital in Q1 2019 focused primarily on planned mining equipment component replacements and mine infrastructure and was $1.8 million lower than Q1 2018. Expansionary capital in Q1 2019 relates to the PV3 development.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

($ millions)		Q1 2019		Q1 2018
Deferred stripping - cash	**$**	**5.6**	$	6.2
Deferred stripping - non cash		**1.3**		1.4
Deferred stripping as reported in the financials	**$**	**6.9**	**$**	**7.6**
Sustaining capital		**4.8**		6.6
Expansionary capital		**0.5**		-
Total	**$**	**12.2**	$	14.2

Cozamin Mine – Zacatecas, Mexico (Polymetallic)

Operating Statistics

	2019 Q1	2018 Q1
Production (contained metal) [2]		
Copper (000's pounds)	8,672	9,447
Zinc (000's pounds)	5,525	1,753
Silver (000s ounces)	326	250
Mining		
Ore (000s tonnes)	271	215
Milling		
Milled (000s tonnes)	273	213
Tonnes per day	3,038	2,366
Copper grade (%) [3]	1.53	2.09
Zinc grade (%) [3]	1.32	0.62
Silver grade (g/t) [3]	47.9	44.9
Recoveries [3]		
Copper (%)	94.2	96.3
Zinc (%)	69.3	59.8
Silver (%)	77.5	81.4
Concentrate Production		
Copper (dmt)	15,163	15,810
Copper (%)	25.9	27.1
Silver (g/t)	576	487
Zinc (dmt)	5,383	1,667
Zinc (%)	46.6	47.7
Site operating costs [1,4] ($/t milled)	$47.64	$46.02
Payable copper produced (000's pounds)	8,321	9,072
Copper C1 cash cost [1] ($/lb payable copper produced)	$0.70	$0.71
Adjusted EBITDA [1] ($ millions)	$15.3	$18.3

[2] *Adjustments based on final settlements will be made in the future quarters.*
[3] *Grade and recoveries were estimated based on concentrate production and may be impacted by settlements from prior production periods.*
[4] *Site operating costs is cash production costs of metal produced* [1]

Operational and C1 Cash Cost[1] Update

Production continued to benefit from additional tonnes mined from the San Rafael zinc zone, which ramped up to planned levels in Q3 2018, utilizing some of the unused mill capacity. As a result, throughput (3,038 tpd v. 2,366 tpd) and zinc production (5.5 million pounds v. 1.8 million pounds) were higher Q1 2019 vs. Q1 2018. Q1 2019 copper grade is lower due to the dilution impact of San Rafael; excluding San Rafael predominately zinc tonnes, the average copper grade is 1.95%.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Development work commenced during Q1 2019 in relation to the one-way development ramp to eliminate the production bottleneck and fill the mill to nameplate capacity. This is expected to result in an approximate 30% increase in expected throughput, to 3,780 tonnes per day by the end of 2020, increasing annual production to between 40 to 45 million pounds of copper.

C1 cash cost[1] in Q1 2019 remained consistent due to the increased by-product revenue, primarily related to zinc, being offset by higher operating costs. Operating costs were impacted by increased power, haulage and development costs. Operating development meters increased related to mining the San Rafael zone and the new reserve areas.

Investing Activities

Capital spending at Cozamin totaled $6.7 million for Q1 2019 and related primarily to mine development.

Capitalized exploration expenditures totaled $1.5 million for Q1 2019. This was spent primarily on mineral resource drilling of the Mala Noche Footwall Zone, associated with step-out drilling from underground using two rigs and from surface using three rigs to extend the mineral resource along strike to the southeast and northwest, up-dip and down-dip.

Santo Domingo Project – Chile (Copper and Iron)

The Company owns a 70% interest in the Santo Domingo project, located 130 kilometers north north-east of Copiapó in Region III, Chile, near the town of Diego de Almagro.

During Q4 2018, the Company announced the results of an updated technical report, which showed an NPV (after tax, 8% discount rate) of $1.03 billion, and launched a strategic process.

The project valuation benefitted from significantly lower power costs and several engineering changes, including the use of desalinated water in lieu of seawater. The report also includes the addition of cobalt to the mineral resources but not factored in the economic analysis at this stage.

The strategic process is aimed at evaluating several alternatives, primarily including sale of a portion of the project and/or streaming by-products, to maximize the value of the project for Capstone's shareholders whilst maintaining financial flexibility for continued growth and financial security for the Company's existing operations.

During Q1 2019 the Tailings permit was received and the Closure Plan permit was submitted. The Closure Plan permit could not be submitted until the Tailings Permit was approved and the Closure Plan permit is the last pre-construction permit required. This represents an important milestone in progressing the project towards a construction decision.

Investing Activities

Project development costs on a 100% basis of $2.6 million (Capstone's 70% share was $1.8 million) were recorded in Q1 2019. Project development costs are capitalized within mineral properties. In Q1 2018 project holding costs were $0.7 million (Capstone's 70% share of these costs was $0.5 million) and were recorded as care and maintenance expense.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Minto – Discontinued Operations Reporting

During Q4 2018 Capstone started putting the Minto Mine on temporary care and maintenance and continues to pursue the sale of the mine with interested parties.

Net loss from discontinued operations was $3.7 million (2018 - $3.6 million). This included:

- Earnings from mining operations of $2.0 million (2018 - loss of $3.4 million) on the sale of 2.4 million pound of copper which was on site at December 31, 2018;
- Care and maintenance costs of $3.8 million (2018 – nil); and
- Restructuring expenses of $1.8 million (2018 – nil).

Outlook

2019 Production, Cost and Capital Guidance

Capstone's 2019 consolidated production guidance from continuing operations of between 145 million and 160 million pounds of copper produced at a C1 cash cost1 of between $1.80 and $2.00 per pound payable copper produced, remains unchanged.

Pinto Valley quarterly copper production will fluctuate throughout the year given anticipated grade variability. The average copper grade in 2019 is expected to be approximately 0.32%, with grades at 0.28% during Q2.

Consolidated capital expenditure guidance of $89.5 million and total exploration guidance of $12.0 million also remains unchanged.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Liquidity and Financial Position Review

Discontinued Operation

In accordance with IFRS 5, the Minto Mine was considered a discontinued operation for the year ended December 31, 2018 for financial reporting purposes and continues to be a discontinued operation for the three months ended March 31, 2019. All Minto related assets and liabilities are classified as assets held for sale or liabilities directly associated with assets held for sale as at March 31, 2019 and December 31, 2018.

Working Capital

Working capital was $117.1 million at March 31, 2019 compared with $103.9 million at December 31, 2018, as follows:

(millions)		**March 31, 2019**		Dec. 31, 2018
Current assets				
Cash and cash equivalents	**$**	**37.1**	$	30.1
Short-term investments		**28.9**		35.9
Receivables		**21.4**		22.3
Inventories		**72.8**		66.5
Other assets		**4.0**		2.5
Assets classified as held for sale		**48.7**		49.8
Total current assets	**$**	**212.9**	$	207.1
Current liabilities				
Accounts payable and accrued liabilities	**$**	**49.7**	$	50.0
Other liabilities		**2.5**		11.4
Liabiliites directly associated with assets classified as held for sale		**43.6**		41.8
Total current liabilities	**$**	**95.8**	$	103.2
Working capital	**$**	**117.1**	$	103.9

Cash and cash equivalents and short-term investments from continuing operations were consistent from December 31, 2018 vs. March 31, 2019. The short-term investments in bankruptcy remote, AAA rated treasury market funds and exchange traded funds of $28.9 million are not considered cash equivalents for reporting purposes. Management's treatment and use of these investments is analogous to cash and cash equivalents given their highly liquid nature.

Refer to the Statement of Cash Flows within the Company's unaudited condensed interim consolidated financial statements for further details surrounding the movement in the cash balance.

Inventories increased during Q1 2019 as a result of production exceeding sales volumes (related to continuing operations). Other liabilities decreased during Q1 2019 primarily as a result of reductions to Cozamin income taxes payable due to payments made in Q1 2019.

There were no significant changes to total assets during the three-month period ended March 31, 2019.

Credit Facilities

Capstone has a senior secured corporate revolving credit facility ("RCF") which matures on April 19, 2021 with a credit limit to $325 million, reducing by $25 million each April 19 on the anniversary of the facility to $275 million on April 19, 2020. The facility pricing grid, starting at LIBOR + 2.5% and increasing to LIBOR

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

+ 3.5% based on the total leverage ratio, is in effect until March 31, 2019, after which date pricing increases to LIBOR + 3.0% (adjustable to LIBOR + 4.5% depending on the total leverage ratio).

The interest rate at March 31, 2019 and March 31, 2018 was LIBOR + 2.75% with a standby fee of 0.62% payable on the undrawn balance (adjustable in certain circumstances).

No repayments were made on the RCF during the three months ended March 31, 2019.

During the three months ended March 31, 2019, a total of $0.3 million of deferred financing costs (2018 - $0.3 million) was amortized and recorded in other interest expense.

The RCF is secured against the present and future real and personal property, assets and undertakings of Capstone (excluding certain assets, which include Acquisition Co., Far West, Santo Domingo, and Far West Exploration S.A., and subject to certain exclusions for Capstone Mining Chile SpA and Capstone Exploraciones, S. A. de C. V.). The credit facility requires the Company to maintain certain financial ratios relating to debt and interest coverage. Capstone was in compliance with these covenants as at March 31, 2019.

At March 31, 2019, there were five Surety Bonds totaling $178.4 million to support various reclamation obligation bonding requirements. This comprises C$72.1 million securing reclamation obligations at the Minto mine, $118.6 million securing reclamation obligations at Pinto Valley, $4.0 million provided as security as part of a power supply agreement at Pinto Valley, and $1.9 million related to the construction of a port for Santo Domingo in Chile. In addition, the Company has two letters of credit with Scotiabank for a total of $0.5 million.

Provisions

Provisions of $96.9 million at March 31, 2019 includes the following:

- $90.8 million for reclamation and closure cost obligations at Capstone's operating mines;
- $3.2 million related to other long-term provisions at the Cozamin mine; and
- $2.9 million for the long-term portion of the share-based payment obligations associated with the DSUs, RSUs and PSUs.

Financial Capability

The Company's ability to service its ongoing obligations and cover anticipated corporate, exploration and development costs associated with its existing operations is dependent on the Pinto Valley and Cozamin mines generating positive cash flow and available liquidity. Based on reasonable expectations for our operating performance and flexible capital plan, we believe we have ample financial capacity to manage our current requirements for the foreseeable future, even with a return to more challenging market conditions.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Capital Management

Capstone's capital management objectives are intended to safeguard the Company's ability to support its normal operating requirements on an ongoing basis as well as continue the development and exploration of its mineral properties and support any expansion plans. As part of the Company's treasury policy, the Company will only hold deposits in Canadian and international Tier 1 banks, Canadian and US government bonds, or bankruptcy remote treasury market or exchange traded funds of AAA rating.

Risks and Uncertainties

For full details on the risks and uncertainties affecting the Company, please refer to the Company's Annual Information Form (see section entitled "Risk factors") for the year ended December 31, 2018. This document is available for viewing at the Company's website at www.capstonemining.com or on the Company's profile on the SEDAR website at www.sedar.com.

Off Balance Sheet Arrangements

At March 31, 2019, the Company had no off-balance-sheet arrangements other than the following:

- those disclosed under Contractual Obligations in the 2018 audited financial statements (excluding operating lease commitments which were brought on balance sheet in 2019 as a result of applying IFRS 16 Leases);
- those disclosed in the section Contractual Obligations and Commitments in the 2018 MD&A;
- Five surety bonds totaling $178.4 million;
- Letters of credit for $0.5 million.

Accounting Changes

In 2018, the Company adopted IFRS 15 Revenue from contracts with customers and IFRS 9, financial instruments. Refer to the consolidated financial statements for the year ended December 31, 2018 for more information.

In 2019, the Company adopted IFRS 16 Leases (Refer to the unaudited condensed interim financial statements for the three-months ended March 31, 2019 for more information).

Alternative Performance Measures

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

As a result of adopting IFRS 16 Leases, cash paid related to sustaining leases is included within All-in sustaining cost[1] from 2019 on a prospective basis. Prior to adoption of IFRS 16 Leases, cash payments related to operating leases were included within C1 cash cost[1] (operating mines) and general and administrative expenses.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Breakdown of C1 Cash Cost and All-in Sustaining Cost Per Pound of Payable Copper Produced

In accordance with IFRS 5, Minto is considered a discontinued operation for the three months ended March 31, 2019 and 2018 for financial reporting purposes. Minto was placed on care and maintenance in Q4 2018.

Three Months Ended March 31, 2019 and 2018

	Q1 2019			Q1 2018				
	Pinto Valley	Cozamin	Total	Pinto Valley	Cozamin	Total from Continuing Operations	Minto	Total
Payable copper produced (000s lbs)	31,584	8,321	39,905	24,333	9,072	33,405	7,530	40,935
Production costs of metal produced (per financials, $M)	$ 47.9	$ 13.2	$ 61.1	$ 55.1	$ 9.7	$ 64.8	$ 31.4	$ 96.2
Transportation cost to point of sale ($M)	(5.9)	(0.6)	(6.5)	(4.5)	(0.3)	(4.8)	(0.7)	(5.5)
Inventory write-down ($M)	-	-	-	-	-	-	(0.3)	(0.3)
Reversal of write-down on concentrate sales ($M)	-	-	-	0.2	-	0.2	-	0.2
Inventory working capital adjustments ($M)	3.5	0.4	3.9	(1.8)	0.4	(1.4)	(6.1)	(7.5)
Cash production costs of metal produced ($M)	$ 45.5	$ 13.0	$ 58.5	$ 49.0	$ 9.8	$ 58.8	$ 24.3	$ 83.1
Production costs ($/lb)								
Mining	$ 0.45	$ 0.99	$ 0.56	$ 0.56	$ 0.68	0.60	$ 1.95	$ 0.85
Milling/Processing	0.82	0.34	0.72	1.19	0.21	0.93	0.72	0.89
G&A	0.17	0.23	0.18	0.26	0.19	0.22	0.56	0.29
C1P sub-total	1.44	1.56	1.46	2.01	1.08	1.75	3.23	2.03
By-product credits ($/lb)	(0.08)	(1.23)	(0.32)	(0.07)	(0.65)	(0.22)	(0.12)	(0.21)
Treatment and selling costs ($/lb)	0.43	0.37	0.42	0.47	0.28	0.42	0.35	0.41
C1 cash cost ($/lb PRODUCED)	**$ 1.79**	**$ 0.70**	**$ 1.56**	**$ 2.41**	**$ 0.71**	**$ 1.95**	**$ 3.46**	**$ 2.23**
NSR royalties	-	0.11	0.02	-	0.11	0.02	(0.07)	0.01
Non-cash deferred revenue	-	-	-	-	-	-	(0.06)	(0.01)
Production-phase capitalized stripping	0.17	-	0.15	0.25	-	0.15	-	0.15
Sustaining capital	0.15	0.79	0.29	0.28	0.56	0.29	0.40	0.36
Sustaining leases	-	0.01	-	-	-	-	-	-
Accretion of reclamation obligation	0.02	0.01	0.01	0.02	0.01	0.01	0.02	0.02
Amortization of reclamation asset	-	0.05	0.01	-	0.04	0.01	0.02	0.01
Corporate G&A, excluding depreciation			0.10			0.16		0.13
All-in sustaining cost adjustments	0.34	0.97	0.58	0.55	0.72	0.64	0.31	0.67
All-in sustaining cost ($/lb PRODUCED)	**$ 2.13**	**$ 1.67**	**$ 2.14**	**$ 2.96**	**$ 1.43**	**$ 2.59**	**$ 3.77**	**$ 2.90**

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Reconciliation of Net Debt

	31-Mar-19	31-Mar-18
Long term debt (per financials, $M), excl. deferred financing costs of $2.6M and $3.9M	$ 219.9	274.9
Less:		
Cash and cash equivalents (per financials, $M)	(37.1)	$ (26.3)
Short term investments (per financials, $M)	(28.9)	(62.7)
Cash held by discontinued operation (per financials, $M)	(6.9)	(25.8)
Net debt	**$ 147.0**	**$ 160.1**

Reconciliation of Cash Flow from Operating Activities per Common Share

($ millions, except share and per share amounts)	Q1 2019	Q1 2018
Cash flow from operating activities (per financials)	$ 28.7	$ 32.8
Weighted average common shares - basic (per financials)	391,219,806	388,792,195
Cash flow from operating activities per share	**$ 0.07**	**$ 0.08**

Reconciliation of Operating Cash Flow before Working Capital Changes per Common Share

($ millions, except share and per share amounts)	Q1 2019	Q1 2018
Operating cash flow (per financials)	$ 28.7	$ 32.8
Adjustment for changes in working capital (per financials)	2.0	(8.2)
Operating cash flow before working capital changes	**$ 30.7**	**$ 24.6**
Weighted average common shares - basic (per financials)	391,219,806	388,792,195
Operating cash flow before working capital changes per share	**$ 0.08**	**$ 0.06**

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Reconciliation of Adjusted Net Income (Loss) from Continuing Operations

($ millions, except share and per share amounts)	Q1 2019	Q1 2018
Net income from continuing operations (per financials)	$ 12.0	$ 10.3
Inventory write-down	-	0.3
Adjusted net income (loss) from continuing operations	**$ 12.0**	**$ 10.6**
Adjusted net income (loss) from continuing operations attributable to:		
Shareholders of Capstone Mining Corp.	$ 12.0	$ 10.8
Non-controlling interests	(0.0)	(0.2)
	$ 12.0	**$ 10.6**
Weighted average common shares - basic (per financials)	391,219,806	388,792,195
Adjusted net income from continuing operations attributable to shareholders of Capstone Mining Corp. per common share - basic	**$ 0.03**	**$ 0.03**
Weighted average common shares - diluted (per financials)	395,575,984	395,543,900
Adjusted net income from continuing operations attributable to shareholders of Capstone Mining Corp. per common share - diluted	**$ 0.03**	**$ 0.03**

Reconciliation of Adjusted Net Income (Loss)

($ millions, except share and per share amounts)	Q1 2019	Q1 2018
Net income (loss) (per financials)	$ 8.3	$ 6.7
Inventory write-down	-	0.3
Minto restructuring costs (reversal of restrucuring costs)	1.8	-
Minto embedded derivative write down	-	(1.1)
Deferred income tax expense (recovery) related to US tax reforms	-	-
Changes in deferred revenue	1.3	-
Adjusted net income (loss)	**$ 11.4**	**$ 5.9**
Adjusted net income (loss) attributable to:		
Shareholders of Capstone Mining Corp.	$ 11.4	$ 6.1
Non-controlling interests	(0.0)	(0.2)
	$ 11.4	**$ 5.9**
Weighted average common shares - basic (per financials)	391,219,806	388,792,195
Adjusted net income attributable to shareholders of Capstone Mining Corp. per common share -	**$ 0.03**	**$ 0.02**
Weighted average common shares - diluted (per financials)	395,575,984	395,543,900
Adjusted net income attributable to shareholders of Capstone Mining Corp. per common share -	**$ 0.03**	**$ 0.02**

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Reconciliation of Adjusted EBITDA

($ millions)	Q1 2019	Q1 2018
Net income from continuing operations (per financials)	$ 12.0	$ 10.3
Net finance costs	4.6	4.4
Taxes	6.1	2.2
Depletion and amortization	17.4	16.2
EBITDA - from continuing operations	**40.1**	**33.1**
Share-based compensation expense (recovery)	1.6	(1.9)
Gain on disposal of investments minteral property and PP&E	0.1	-
Unrealized loss on foreign exchange	-	(1.2)
Adjusted EBITDA - from continuing operations	**$ 41.8**	**$ 30.0**
Adjusted EBITDA by mine		
Pinto Valley	25.3	17.8
Cozamin	15.3	18.3
Other	1.2	(6.1)
Adjusted EBITDA - from continuing operations	**$ 41.8**	**$ 30.0**

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Additional Information and Reconciliations

Continuity Schedule of Concentrate and Cathode Inventories

	Pinto Valley***			Cozamin			Minto
	Copper (dmt)	Cathode (tonnes)	Molybdenum (dmt)	Copper (dmt)	Zinc (dmt)	Lead (dmt)	Copper (dmt)
Dec. 31, 2017	10,814	327	40	6,332	635	12	5,200
Reclassification*	-	-	-	-	-	-	(5,200)
IFRS 15 adjustment**	-	-	-	(4,871)	(412)	-	-
Production	44,570	457	28	15,810	1,667	38	-
Sales	(48,514)	(281)	(44)	(14,791)	(1,717)	-	-
Mar. 31, 2018	6,870	503	24	2,480	173	50	-
Production	48,202	350	19	13,581	3,259	494	-
Sales	(41,631)	(542)	(35)	(12,991)	(3,127)	(361)	-
Jun. 30, 2018	13,441	311	8	3,070	305	183	-
Production	46,813	338	17	16,774	4,305	717	-
Sales	(53,787)	(448)	-	(17,810)	(3,772)	(763)	-
Sep. 30, 2018	6,467	201	25	2,034	838	137	-
Production	60,784	386	22	16,782	5,068	1,055	-
Sales	(46,922)	(422)	(38)	(16,630)	(5,013)	(894)	-
Dec. 31, 2018	20,329	165	9	2,186	893	298	-
Production	54,236	384	38	15,163	5,383	801	-
Sales	(49,883)	(422)	(45)	(14,366)	(5,330)	(1,010)	-
Mar.31, 2019	24,682	127	2	2,983	946	89	-

** Minto was considered a discontinued operation at March 31, 2018 and as such the inventory held at Minto at December 31, 2017 was re-classified from inventories to assets held for sale. Minto remains classified as held for sale at March 31, 2019.*
*** Opening balance sheet adjustments were required due to the application of IFRS 15 impacting Cozamin's opening inventory. Refer to the consolidated financial statements for the year ended December 31, 2018 for more information.*
**** Reported copper concentrate production at Pinto Valley noted in the "Pinto Valley mine" section of this document includes copper produced in concentrate and in circuit and therefore differs from the copper concentrate production amount noted above.*

Capstone's mining operations at Pinto Valley and Cozamin are not subject to any seasonality with respect to shipping and copper production does not vary significantly from quarter to quarter. As a result the reported sales volumes are not expected to vary significantly from quarter to quarter.

Outstanding Share Data and Dilution Calculation

The Company is authorized to issue an unlimited number of common shares, without par value. The table below summarizes the Company's common shares and securities convertible into common shares as at April 24, 2019:

Issued and outstanding	399,597,765
Share options outstanding at a weighted average exercise price of $0.94	24,155,327
Fully diluted	423,753,092

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Management's Report on Internal Controls

Disclosure Controls and Procedures ("DC&P")

Capstone's management, with the participation of its President & Chief Executive Officer and Chief Financial Officer, has designed DC&P which provide reasonable assurance that material information related to Capstone is identified and communicated in a timely manner.

Internal Control Over Financial Reporting ("ICFR")

Capstone's management, with the participation of its President & Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate ICFR. Any system of ICFR, no matter how well designed, has inherent limitations and cannot provide absolute assurance that all misstatements and instances of fraud, if any, within the Company have been prevented or detected. Capstone's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company uses the 2013 Internal Control – Integrated Framework published by The Committee of Sponsoring Organizations of the Treadway Commission ("2013 COSO framework") as the basis for assessing its ICFR.

There were no changes in the Company's ICFR that materially affected, or are reasonably likely to materially affect, ICFR during the three-months ended March 31, 2019.

Other Information

Approval

The Board of Directors of Capstone approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it from the Company.

Additional Information

Additional information is available for viewing at the Company's website at www.capstonemining.com or on the Company's profile on the SEDAR website at www.sedar.com.

National Instrument 43-101 Compliance

Unless otherwise indicated, Capstone has prepared the technical information in this MD&A ("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.

The disclosure of Technical Information in this MD&A was reviewed and approved by Brad Mercer, P. Geol., Senior Vice President, Operations and Exploration (Technical Information related to mineral exploration activities and to resources at Cozamin), Clay Craig, P.Eng, Superintendent Mine Technical Services – Pinto Valley Mine (Technical information related to reserves and resources at Pinto Valley) and Tucker Jensen, Senior Technical Advisor – Cozamin Mine, P.Eng (Technical information related to reserves at Cozamin), all Qualified Persons under NI 43-101.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

March 31, 2019 and 2018

(Expressed in US Dollars)

Capstone Mining Corp.

Condensed Interim Consolidated Statements of Financial Position

(unaudited)

(expressed in thousands of US dollars)

ASSETS		March 31, 2019		December 31, 2018 (Note 3)
Current				
Cash and cash equivalents	$	**37,078**	$	30,072
Short-term investments *(Note 5)*		**28,900**		35,918
Receivables *(Note 6)*		**21,382**		22,278
Inventories *(Note 7)*		**72,826**		66,508
Other assets *(Note 11)*		**4,044**		2,452
Assets classified as held for sale *(Note 9)*		**48,670**		49,870
		212,900		207,098
Mineral properties, plant and equipment *(Note 8)*		**1,091,815**		1,083,179
Promissory note receivable *(Note 10)*		**36,112**		36,793
Other assets *(Note 11)*		**9,990**		9,052
Total assets	$	**1,350,817**	$	1,336,122
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**49,728**	$	49,979
Other liabilities *(Note 12)*		**2,479**		11,465
Liabilities directly associated with assets classified as held for sale *(Note 9)*		**43,604**		41,819
		95,811		103,263
Long term debt *(Note 14)*		**217,288**		216,972
Deferred income tax liabilities		**66,735**		63,153
Provisions		**96,896**		95,496
Lease liabilities *(Note 13)*		**5,477**		-
Other liabilities *(Note 12)*		**4,365**		4,887
Total liabilities		**486,572**		483,771
EQUITY				
Share capital	$	**838,357**	$	838,351
Other reserves		**27,534**		23,495
Amounts recognized directly in equity relating to assets classified as held for sale *(Note 9)*		**(26,632)**		(27,036)
Retained deficit		**(85,419)**		(92,901)
Total equity attributable to equity holders of the Company		**753,840**		741,909
Non-controlling interest		**110,405**		110,442
Total equity		**864,245**		852,351
Total liabilities and equity	$	**1,350,817**	$	1,336,122

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Mining Corp.
Condensed Interim Consolidated Statements of Income
Three Months Ended March 31, 2019 and 2018
(unaudited)
(expressed in thousands of US dollars, except share and per share amounts)

		2019		2018
				(Note 3)
Revenue *(Note 17)*	**$**	**108,854**	$	103,690
Operating costs				
Production costs		**(61,089)**		(64,805)
Royalties		**(919)**		(933)
Depletion and amortization		**(16,926)**		(16,155)
Earnings from mining operations		**29,920**		21,797
General and administrative expenses		**(4,134)**		(5,256)
Exploration expenses *(Note 8)*		**(758)**		(520)
Care and maintenance expense *(Note 8)*		**(256)**		(963)
Share-based compensation (expense) recovery *(Note 16)*		**(1,574)**		1,897
Earnings from operations		**23,198**		16,955
Other expense				
Foreign exchange (loss) gain		**(401)**		76
Other expense		**(162)**		(121)
Income before finance costs and income taxes		**22,635**		16,910
Interest on long term debt		**(3,934)**		(3,573)
Other interest expense		**(626)**		(813)
Income from continuing operations before income taxes		**18,075**		12,524
Income tax expense *(Note 15)*		**(6,067)**		(2,223)
Net income from continuing operations	**$**	**12,008**	$	10,301
Net loss from discontinued operations *(Note 9)*		**(3,709)**		(3,554)
Net income	**$**	**8,299**	$	6,747
Net income from continuing operations attributable to:				
Shareholders of Capstone Mining Corp.	**$**	**12,045**	$	10,520
Non-controlling interest		**(37)**		(219)
	$	**12,008**	$	10,301
Net income attributable to:				
Shareholders of Capstone Mining Corp.	**$**	**8,336**	$	6,966
Non-controlling interest		**(37)**		(219)
	$	**8,299**	$	6,747
Net income per share from continuing operations				
Earnings per share - basic	**$**	**0.03**	$	0.03
Weighted average number of shares - basic *(Note 18)*		**391,219,806**		388,792,195
Earnings per share - diluted	**$**	**0.03**	$	0.03
Weighted average number of shares - diluted *(Note 18)*		**395,575,984**		395,543,900
Net income per share				
Earnings per share - basic *(Note 18)*	**$**	**0.02**	$	0.02
Weighted average number of shares - basic *(Note 18)*		**391,219,806**		388,792,195
Earnings per share - diluted *(Note 18)*	**$**	**0.02**	$	0.02
Weighted average number of shares - diluted *(Note 18)*		**395,575,984**		395,543,900

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Mining Corp.
Condensed Interim Consolidated Statements of Comprehensive Income
Three Months Ended March 31, 2019 and 2018

(unaudited)
(expressed in thousands of US dollars)

		2019		2018 *(Note 3)*
Net income	**$**	**8,299**	$	6,747
Other comprehensive income				
Items that will not be reclassfied subsequently to profit or loss				
Change in fair value of marketable investments, net of tax of $nil (2018 - $nil)		**(128)**		(484)
		(128)		(484)
Items that may be reclassfied subsequently to profit or loss				
Foreign currency translation adjustment		**519**		(1,601)
		519		(1,601)
Total other comprehensive income (loss) for the period		**391**		(2,085)
Total comprehensive income	**$**	**8,690**	$	4,662
Total comprehensive income (loss) attributable to:				
Shareholders of Capstone Mining Corp.	**$**	**8,727**	$	4,881
Non-controlling interest		**(37)**		(219)
	$	**8,690**	$	4,662

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Mining Corp.

Condensed Interim Consolidated Statements of Cash Flows
Three Months Ended March 31, 2019 and 2018

(unaudited)
(expressed in thousands of US dollars)

	2019	2018 *(Note 3)*
Cash provided by (used in):		
Operating activities		
Net income	$ **8,299**	$ 6,747
Adjustments for:		
Depletion and amortization	**17,451**	17,525
Income and mining tax expense	**6,182**	3,285
Inventory write-down	**-**	330
Share-based compensation expense (recovery)	**1,574**	(1,897)
Restructuring provision	**1,321**	-
Net finance costs	**5,309**	5,004
Unrealized gain on foreign exchange	**(232)**	(4,181)
Loss (gain) on derivatives	**15**	(984)
Gain on disposal of assets	**(374)**	(9)
Changes in deferred revenue	**707**	(449)
Income taxes paid	**(9,549)**	(6,873)
Income taxes received	**-**	6,099
Other	**21**	34
Changes in non-cash working capital *(Note 19)*	**(2,007)**	8,166
	28,717	32,797
Investing activities		
Mineral properties, plant and equipment additions	**(21,950)**	(23,043)
Sale (purchase) of short-term investments	**7,019**	(62,677)
Proceeds on disposal of assets	**519**	55
Other	**(652)**	(95)
	(15,064)	(85,760)
Financing activities		
KORES payment against promissory note *(Note 10)*	**516**	-
Repayment of lease liabilities	**(260)**	-
Purchase of treasury shares *(Note 16)*	**-**	(2,011)
Proceeds from issuance of share capital	**4**	419
Payments for settlement of derivatives	**-**	(4,865)
Interest paid	**(4,231)**	(3,904)
	(3,971)	(10,361)
Effect of exchange rate changes on cash and cash equivalents	**402**	(771)
Increase (decrease) in cash and cash equivalents	**10,084**	(64,095)
Cash and cash equivalents - beginning of period	**33,886**	116,201
Cash and cash equivalents - end of period		
(includes $6,892 (2018 - $25,822) cash held for sale (Note 9))	$ **43,970**	$ 52,106

Supplemental cash flow information *(Note 9 and 19)*

See accompanying notes to these condensed interim consolidated financial statements.

Capstone Mining Corp.

Condensed Interim Consolidated Statements of Changes in Equity

Thee Months Ended March 31, 2019 and 2018

(unaudited)

(expressed in thousands of US dollars, except share amounts)

	Attributable to equity holders of the Company																		
	Number of shares		Share capital		Reserve for equity settled share based transactions		Revaluation reserve		Foreign currency translation reserve		Share purchase reserve		Retained (deficit) earnings		Total - attributable to equity holders		Non-controlling interest		Total equity
January 1, 2019 (as reported)	399,580,329	$	838,351	$	52,541	$	2,581	$	(47,958)	$	(10,705)	$	(92,901)	$	741,909	$	110,442	$	852,351
Adjustment on initial application of IFRS 16 *(Note 3)*	-		-		-		-		-		-		665		665		-		665
January 1, 2019	399,580,329		838,351		52,541		2,581		(47,958)		(10,705)		(92,236)		742,574		110,442		853,016
Shares issued on exercise of options *(Note 16)*	17,436		6		(2)		-		-		-		-		4		-		4
Share-based compensation *(Note 16)*	-		-		669		-		-		-		-		669		-		669
Settlement of share units	-		-		-		-		-		3,385		(1,519)		1,866		-		1,866
Change in fair value of marketable securities	-		-		-		(128)		-		-		-		(128)		-		(128)
Net income (loss)	-		-		-		-		-		-		8,336		8,336		(37)		8,299
Foreign currency translation	-		-		-		-		519		-		-		519		-		519
March 31, 2019	399,597,765	$	838,357	$	53,208	$	2,453	$	(47,439)	$	(7,320)	$	(85,419)	$	753,840	$	110,405	$	864,245
January 1, 2018	398,355,278	$	837,428	$	51,876	$	1,561	$	(44,139)	$	(7,067)	$	(69,950)		769,709	$	111,347	$	881,056
Shares issued on exercise of options *(Note 16)*	548,205		580		(161)		-		-		-		-		419		-		419
Share-based compensation *(Note 16)*	-		-		275		-		-		-		-		275		-		275
Settlement of share units	-		-		-		-		-		465		146		611		-		611
Change in fair value of marketable securities	-		-		-		(484)		-		-		-		(484)		-		(484)
Purchase of treasury shares *(Note 16)*	-		-		-		-		-		(2,011)		-		(2,011)		-		(2,011)
Net income (loss)	-		-		-		-		-		-		6,966		6,966		(219)		6,747
Foreign currency translation	-		-		-		-		(1,601)		-		-		(1,601)		-		(1,601)
March 31, 2018	398,903,483	$	838,008	$	51,990	$	1,077	$	(45,740)	$	(8,613)	$	(62,838)	$	773,884	$	111,128	$	885,012

See accompanying notes to these condensed interim consolidated financial statements.

1. Nature of Operations

Capstone Mining Corp. ("Capstone" or the "Company"), a Canadian mining company publicly listed on the Toronto Stock Exchange, is engaged in the production of and exploration for base metals in the United States ("US"), Mexico, Canada and Chile, with a focus on copper. Pinto Valley Mining Corp., a wholly owned US subsidiary, owns and operates the copper Pinto Valley Mine located in Arizona, US. Capstone Gold, S.A. de C.V. ("Capstone Gold"), a wholly owned Mexican subsidiary, owns and operates the polymetallic Cozamin Mine located in Zacatecas, Mexico, and has a portfolio of exploration properties in Mexico. Minto Explorations Ltd. ("Minto"), a wholly owned Canadian subsidiary, owns the copper Minto Mine located in Yukon, Canada. The Minto Mine has been classified and accounted for as a disposal group held for sale and as a discontinued operation, and has been put on care and maintenance since the fourth quarter of 2018 (*Note 9*). Capstone Mining Chile SpA, a wholly owned Chilean subsidiary, is performing exploration for base metal deposits in Chile. 0908113 B.C. Ltd. ("Acquisition Co.") is a 70% owned subsidiary of Capstone and 30% owned by Korea Resources Corp. ("KORES"). Through Acquisition Co.'s wholly-owned Canadian subsidiary, Far West Mining Ltd. ("Far West"), Acquisition Co is engaged in the exploration and development of base metals primarily in Chile. Minera Santo Domingo SCM ("Santo Domingo"), a 100% owned subsidiary of Far West, holds the Santo Domingo copper-iron project in Chile.

The head office, registered and records office and principal address of the Company are located at 2100 - 510 West Georgia Street, Vancouver, British Columbia, Canada and the Company is incorporated in British Columbia.

The consolidated financial statements were approved by the Board of Directors and authorized for issuance on April 24, 2019.

2. Significant Accounting Policies

Basis of preparation and consolidation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using the same accounting policies and methods of application as the audited annual consolidated financial statements of the Company for the year ended December 31, 2018, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), except as noted below. Accordingly, certain information and footnote disclosure normally included in annual financial statements have been omitted or condensed.

The Company's management makes judgements in its process of applying the Company's accounting policies in the preparation of these condensed interim consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management makes assumptions and estimates of the impacts of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

In preparing the Company's condensed interim consolidated financial statements for the three months ended March 31, 2019, the Company applied the critical judgements and estimates disclosed in Note 2 of its consolidated financial statements for the year ended December 31, 2018.

These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2018.

Capstone has adopted IFRS 16 Leases ("IFRS 16") effective January 1, 2019. These changes to the Company's significant accounting policies are described in Note 3.

3. Adoption of New and Revised IFRS and IFRS Not Yet Effective

Impact of application of IFRS 16 Leases

Effective January 1, 2019, the Company has adopted IFRS 16 using the modified retrospective application method, where the 2018 comparatives are not restated and the cumulative effect of initially applying IFRS 16 has been recorded on January 1, 2019 for any differences identified, including adjustments to opening retained earnings balance.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset ("ROU asset") and a lease liability at the lease commencement for all leases, except for short-term leases (lease terms of 12 months or less) and leases of low value assets.

In applying IFRS 16 for all leases, except as noted above, Capstone (i) recognizes the ROU asset and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments; (ii) recognizes the depreciation of ROU assets and interest on lease liabilities in the consolidated statement of income; and (iii) separates the total amount of cash paid into a principal portion (presented in financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows. For short-term leases and leases of low value assets, Capstone has opted to recognize a lease expense on a straight-line basis, and this expense is presented within Production costs and General and administrative expenses in the consolidated statement of income.

The Company has made use of the following practical expedients available on transition to IFRS 16:

- Measure the ROU assets equal to the lease liability calculated for each lease;
- Apply the recognition exemptions for low value leases and leases that end within 12 months of the date of initial application, and account for them as low value and short-term leases, respectively;
- Accounting for non-lease components and lease components as a single lease component.

In transitioning to IFRS 16, the Company analyzed its contracts to identify whether they are or contain a lease arrangement. This analysis identified contracts containing leases that have an equivalent increase to both the Company's ROU assets and lease liabilities, which resulted in a $5.9 million adjustment. In addition, $0.7 million of leasehold inducements was written-off to opening retained deficit balance, as the ROU asset was not reduced by any lease incentives received. The incremental borrowing rate for lease liabilities initially recognized on adoption of IFRS 16 was 6%.

(tabular amounts expressed in thousands of US dollars, except share amounts)

The cumulative effect of the changes made to the consolidated January 1, 2019 balance sheet for the adoption of IFRS 16 is as follows:

Assets	**Balance at December 31, 2018 (as reported)**	**IFRS 16 adjustments**	**Balance at January 1, 2019**
Mineral properties, plant and equipment	$ 1,083,179	$ 5,877	$ 1,089,056
Liabilities			
Lease liabilities	$ -	$ 5,877	$ 5,877
Other liabilities	665	(665)	-
Equity			
Retained deficit	$ (92,901)	$ 665	$ (92,236)

The operating lease obligations as at December 31, 2018 are reconciled as follows to the recognized lease liabilities as at January 1, 2019:

	January 1, 2019
Operating lease obligation as at December 31, 2018	**$ 4,423**
Current leases with a lease term of 12 months or less (short-term leases)	(45)
Leases identified as a result of IFRS 16 implementation	4,718
Effect from discounting at the incremental borrowing rate as at January 1, 2019	(3,219)
Lease liabilities due to initial application of IFRS 16 as at January 1, 2019	**$ 5,877**

As a result of the implementation of IFRS 16, the Company revisited previous determinations under IFRIC 4 when determining whether a contract is or contains a lease. The Company identified certain contracts that were previously determined to be service contracts that were in fact operating leases. The misclassification did not result in differences to the pattern of recognition in prior periods of these costs.

New accounting policy for leases under IFRS 16

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (i) the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (ii) for leases of low value. The payments for such leases are recognized in the consolidated statement of income on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

(tabular amounts expressed in thousands of US dollars, except share amounts)

ROU assets are included in Mineral property, plant, and equipment, and the lease liability is presented as a separate line in the consolidated statement of financial position.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statement of income.

4. Financial Instruments

Fair value of financial instruments

IFRS 13 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – Fair values measured using unadjusted quoted prices in active markets for identical instruments
Level 2 – Fair values measured using directly or indirectly observable inputs, other than those included in level 1
Level 3 – Fair values measured using inputs that are not based on observable market data

As of March 31, 2019 the Company's classification of financial instruments within the fair value hierarchy are summarized below:

	Level 1	Level 2	Level 3	Total
Short-term investments *(Note 5)*	$ 6,016	$ 22,884	-	$ 28,900
Concentrate receivables *(Note 6)*	-	14,037	-	14,037
Promissory note receivable *(Note 10)*	-	-	40,886	40,886
Derivative asset - current *(Note 11)*	-	100	-	100
Investment in marketable securities *(Note 11)*	1,647	-	-	1,647
	$ 7,663	$ 37,021	$ 40,886	$ 85,570

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between Level 1, Level 2, and Level 3 during the three months ended March 31, 2019.

(tabular amounts expressed in thousands of US dollars, except share amounts)

Set out below are the Company's financial assets by category:

	March 31, 2019			
	Fair value through profit or loss	**Fair value through OCI**	**Amortized cost**	**Total**
Cash and cash equivalents	**$ -**	**$ -**	**$ 37,078**	**$ 37,078**
Short-term investments *(Note 5)*	**28,900**	**-**	**-**	**28,900**
Concentrate receivables *(Note 6)*	**14,037**	**-**	**-**	**14,037**
Other receivables *(Note 6)*	**-**	**-**	**971**	**971**
Promissory note receivable *(Note 10)*	**40,886**	**-**	**-**	**40,886**
Derivative asset - current *(Note 11)*	**100**	**-**	**-**	**100**
Investments in marketable securities *(Note 11)*	**-**	**1,647**	**-**	**1,647**
	$ 83,923	**$ 1,647**	**$ 38,049**	**$ 123,619**

	December 31, 2018			
	Fair value through profit or loss	Fair value through OCI	Amortized cost	Total
Cash and cash equivalents	$ -	$ -	$ 30,072	$ 30,072
Short-term investments *(Note 5)*	35,918	-	-	35,918
Concentrate receivables *(Note 6)*	8,523	-	-	8,523
Other receivables *(Note 6)*	-	-	930	930
Promissory note receivable *(Note 10)*	41,402	-	-	41,402
Derivative asset - current *(Note 11)*	114	-	-	114
Investments in marketable securities *(Note 11)*	-	1,698	-	1,698
	$ 85,957	$ 1,698	$ 31,002	$ 118,657

Set out below are the Company's financial liabilities by category:

	March 31, 2019		
	Fair value through profit or loss	**Amortized cost**	**Total**
Accounts payable and accrued liabilities	**$ -**	**$ 49,728**	**$ 49,728**
Long term debt *(Note 14)*	**-**	**217,288**	**217,288**
	$ -	**$ 267,016**	**$ 267,016**

	December 31, 2018		
	Fair value through profit or loss	Amortized cost	Total
Accounts payable and accrued liabilities	$ -	$ 49,979	$ 49,979
Long term debt *(Note 14)*	-	216,972	216,972
	$ -	$ 266,951	$ 266,951

There have been no changes during the three months ended March 31, 2019 as to how the Company categorizes its financial assets and liabilities by FVTPL, FVOCI, and amortized cost.

At March 31, 2019, the carrying amounts of accounts receivable not arising from sales of metal concentrates, accounts payable and accrued liabilities, and other current assets and current liabilities are considered to be reasonable approximations of their fair values due to the short-term nature of these instruments. The carrying value of the promissory note receivable approximates its fair value due to its demand nature. The fair value of the Company's long term debt is approximated by their carrying values as the contractual interest rates are comparable to current market interest rates.

(tabular amounts expressed in thousands of US dollars, except share amounts)

Valuation methodologies for Level 2 financial instruments

The short-term investments in money market funds are valued using direct observable inputs of the underlying investments within the funds. The key inputs to the valuation of the concentrate receivable balance are payable metal and future metal prices. The Company's metal concentrate sales contracts are subject to provisional pricing with the selling price adjusted at the end of the quotational period based on final settlement weights and assays. At each reporting date, the Company's accounts receivable on these contracts are marked-to-market based on a quoted forward price for which there exists an active commodity market.

The Company's derivative assets are warrants that are marked-to-market based on a valuation model which uses quoted observable inputs.

Financial instruments and related risks

The Company's activities expose it to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are commodity price risk, credit risk, foreign exchange risk, liquidity risk and interest rate risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. There have been no significant changes in the Company's exposure to these financial risks in the three months ended March 31, 2019.

5. Short-Term Investments

Details are as follows:

		March 31, 2019		December 31, 2018
Exchange traded funds	**$**	**6,016**	$	6,087
Money market funds		**22,884**		29,831
Total short-term investments	**$**	**28,900**	$	35,918

Short-term investments are investments in highly liquid, bankruptcy remote, AAA rated money market funds, and exchange traded funds.

6. Receivables

Details are as follows:

		March 31, 2019		December 31, 2018
Concentrates	**$**	**14,037**	$	8,523
Value added taxes and other taxes receivable		**1,170**		7,838
Income taxes receivable		**430**		378
Other		**971**		930
Current portion of KORES promissory note *(Note 10)*		**4,774**		4,609
Total receivables	**$**	**21,382**	$	22,278

(tabular amounts expressed in thousands of US dollars, except share amounts)

7. Inventories

Details are as follows:

	March 31, 2019	December 31, 2018
Consumable parts and supplies	**$ 32,752**	$ 31,915
Ore stockpiles	**1,219**	1,317
Concentrate	**38,177**	32,441
Cathode	**678**	835
Total inventories	**$ 72,826**	$ 66,508

During the three months ended March 31, 2019, concentrate and cathode inventories recognized as production costs, including depletion and amortization, amounted to $78.0 million (2018 – $81.0 million).

During the three months ended March 31, 2019 and 2018, there were no non-cash charges recorded in production costs related to write-downs (reversals of previous write-downs) of the Company's inventory.

8. Mineral Properties, Plant and Equipment

Details are as follows:

	Mineral properties			Plant and equipment				
	Depletable		Non-depletable	Subject to amortization				
	Producing mineral properties	Deferred stripping	Mineral exploration and development properties	Mill development costs	Plant & equipment	Right of use assets	Construction in progress	Total
At January 1, 2019, net (as reported)	$ 381,478	$ 101,677	$ 270,458	$ 22,351	$ 276,475	$ -	$ 30,740	$ 1,083,179
Adjustment on initial application of IFRS 16 (Note 3)	-	-	-	-	-	5,877	-	5,877
At January 1, 2019, net	$ 381,478	$ 101,677	$ 270,458	$ 22,351	$ 276,475	$ 5,877	$ 30,740	$ 1,089,056
Additions	-	6,982	9,248	-	48	375	6,553	23,206
Disposals	-	-	-	-	59	-	-	59
Reclassifications	27,028	-	(27,028)	-	1,835	-	(1,835)	-
Depletion and amortization	(7,517)	(3,393)	-	(334)	(8,984)	(278)	-	(20,506)
At March 31, 2019, net	$ 400,989	$ 105,266	$ 252,678	$ 22,017	$ 269,433	$ 5,974	$ 35,458	$ 1,091,815
At March 31, 2019:								
Cost	$ 647,925	$ 122,539	$ 252,678	$ 30,364	$ 466,506	6,252	$ 35,458	$ 1,561,722
Accumulated amortization	(246,936)	(17,273)	-	(8,347)	(197,073)	(278)	-	(469,907)
Net carrying amount	$ 400,989	$ 105,266	$ 252,678	$ 22,017	$ 269,433	$ 5,974	$ 35,458	$ 1,091,815

The Company's exploration costs were as follows:

	Three months ended March 31, 2019	2018
Exploration capitalized to mineral properties	**$ 1,540**	$ 1,980
Greenfield exploration expensed to the statement of income (loss)	**758**	520
Total exploration costs	**$ 2,298**	$ 2,500

Exploration capitalized to mineral properties in 2019 relates primarily to brownfield exploration at the Cozamin mine. Greenfield exploration expenses in 2019 relate primarily to exploration efforts in Mexico.

(tabular amounts expressed in thousands of US dollars, except share amounts)

The Company's care and maintenance costs incurred during the period were as follows:

	Three months ended March 31,	
	2019	2018
Santo Domingo	**$ -**	$ 680
San Manuel Arizona Railroad Company	**256**	283
Total care and maintenance costs	**$ 256**	$ 963

At March 31, 2019, construction in progress relates to capital costs incurred in connection with sustaining capital at the Pinto Valley and Cozamin mines.

As at March 31, 2019, bank borrowings *(Note 14)* were secured by mineral properties, plant and equipment with a net carrying value of $883.3 million (December 31, 2018 – $876.2 million).

9. Assets Classified as Held for Sale and Discontinued Operations

Minto is classified and accounted for as a disposal group held for sale as at March 31, 2019 and as a discontinued operation for the three months ended March 31, 2019. During the fourth quarter of 2018, Capstone put Minto on care and maintenance, while continuing to explore value maximizing alternatives. Capstone is committed to selling Minto and there are active plans and ongoing discussions with interested parties.

The major classes of assets and liabilities of Minto at March 31, 2019 classified as held for sale were as follows:

	March 31, 2019
Cash	**$ 6,892**
Receivables	**922**
Inventory	**2,460**
Mineral properties, plant, and equipment	**35,121**
Other assets	**3,275**
Assets classified as held for sale	**$ 48,670**
Accounts payable and accrued liabilites	**$ 6,351**
Deferred income tax liabilities	**1,638**
Deferred revenue	**11,184**
Reclamation and closure cost obligations	**24,237**
Other liabilities	**193**
Total liabilities associated with assets classified as held for sale	**$ 43,603**
Net assets classified as held for sale	**$ 5,067**

The $26.6 million recognized directly in equity relating to assets classified as held for sale comprises the accumulated exchange differences held in equity relating to the Minto operations.

The results of the discontinued operations included in net income for the period are set out below.

(tabular amounts expressed in thousands of US dollars, except share amounts)

Loss for the period from discontinued operations:

	Three months ended March 31, **2019**	2018
Revenue	**$ 8,000**	$ 28,363
Production costs	**(5,603)**	(31,356)
Royalties	**(401)**	512
Depletion and amortization	**(13)**	(886)
Earnings from mining operations	**1,983**	(3,367)
Care & maintenance	**(3,824)**	-
Restructuring expense	**(1,844)**	-
Loss from operations	**(3,685)**	(3,367)
Other income	**841**	1,492
Net finance costs	**(749)**	(617)
Loss before income taxes	**(3,593)**	(2,492)
Income tax expense	**(116)**	(1,062)
Net loss from discontinued operations (attributable to shareholders of Capstone)	**$ (3,709)**	$ (3,554)

The comparative cash flows have been re-presented to include Minto as classified as discontinued in that period. The results of cash flows from discontinued operations for the period are set out below.

Cash flows from discontinued operations:

	Three months ended March 31, **2019**	2018
Net cash inflows from operating activities	**$ 3,373**	$ 8,714
Net cash inflows (outflows) from investing activities	**166**	(2,989)
Net cash outflows from financing activities	**(746)**	(250)
Net cash inflows	**$ 2,793**	$ 5,475

10. KORES Promissory Note

Details of changes in the balance of the promissory note receivable are as follows:

Balance, December 31, 2018	**$ 41,402**
Cash calls against the promissory note	**(516)**
Balance, March 31, 2019	**$ 40,886**

	March 31, 2019	December 31, 2018
KORES promissory note	**$ 40,886**	$ 41,402
Less: current portion *(Note 6)*	**(4,774)**	(4,609)
Long-term portion	**$ 36,112**	$ 36,793

The current portion of the promissory note represents management's best estimate of the portion of the note that will be repaid within 12 months of the consolidated statement of financial position date.

(tabular amounts expressed in thousands of US dollars, except share amounts)

11. Other Assets

Details are as follows:

		March 31, 2019		December 31, 2018
Current:				
Prepaids and other	**$**	**3,944**	$	2,338
Derivative assets		**100**		114
Total other assets - current	**$**	**4,044**	$	2,452
Non-current:				
Taxes receivable	**$**	**6,194**	$	5,914
Investments in marketable securities		**1,647**		1,698
Deferred income tax assets		**1,286**		1,222
Deposits		**863**		218
Total other assets - non-current	**$**	**9,990**	$	9,052

12. Other Liabilities

Details are as follows:

		March 31, 2019		December 31, 2018
Current:				
Income taxes payable	**$**	**1,287**	$	8,105
Current portion of lease liabilities		**692**		-
Current portion of share-based payment obligation		**500**		3,360
Total other liabilities - current	**$**	**2,479**	$	11,465
Non-current:				
Retirement benefit liabilities	**$**	**4,365**	$	4,222
Other		**-**		665
Total other liabilities - non-current	**$**	**4,365**	$	4,887

13. Lease Liabilities

		March 31, 2019		December 31, 2018
Lease liabilities	**$**	**6,169**	$	-
Less: current portion *(Note 12)*		**(692)**		-
Long-term portion	**$**	**5,477**	$	-

Undiscounted lease payments:

		March 31, 2019
Not later than 1 year	$	1,043
Later than 1 year and not later than 5 years		4,609
Later than 5 years		3,750
	$	9,402

Capstone leases several assets including buildings, land, and equipment. Interest expense on the lease liabilities amounted to $0.1 million for the three months ended March 31, 2019. The cost relating to variable lease payments that do not depend on an index or a rate amounted to $0.1 million for the three months ended March 31, 2019. There were no leases with residual value guarantees or leases not yet commenced to which Capstone is committed. The expense relating to short-term leases and low value leases amounted to $0.2 million for the three months ended March 31, 2019.

(tabular amounts expressed in thousands of US dollars, except share amounts)

14. Long Term Debt

Details are as follows:

		March 31, 2019		December 31, 2018
Long term debt	**$**	**219,925**	$	219,925
Financing fees		**(2,637)**		(2,953)
Total long term debt	**$**	**217,288**	$	216,972

Details of the changes in long-term debt, including both cash and non-cash changes are as follows:

Balance, December 31, 2018	**$**	**216,972**
Amortization of financing fees		**316**
Balance, March 31, 2019	**$**	**217,288**

Capstone has a senior secured corporate revolving credit facility (“RCF”) which matures on April 19, 2021 with a credit limit to $325 million, reducing by $25 million each April 19 on the anniversary of the facility to $275 million on April 19, 2020. The facility pricing grid, starting at LIBOR + 2.5% and increasing to LIBOR + 3.5% based on the total leverage ratio, is in effect until March 31, 2019, after which date pricing increases to LIBOR + 3.0% (adjustable to LIBOR + 4.5% depending on the total leverage ratio).

The interest rate at March 31, 2019 and March 31, 2018 was US LIBOR plus 2.75% with a standby fee of 0.62% payable on the undrawn balance (adjustable in certain circumstances).

No repayments were made on the RCF during the three months ended March 31, 2019 and 2018.

The $1.7 million fees incurred in 2017 associated with the RCF amendment were capitalized and are being amortized to the consolidated statement of income over the term of the facility. During the three months ended March 31, 2019, a total of $0.3 million (2018 – $0.3 million) was amortized and recorded in other interest expense.

The RCF is secured against the present and future real and personal property, assets and undertakings of Capstone (excluding certain assets, which include Acquisition Co., Far West, Santo Domingo, and Far West Exploration S.A., and subject to certain exclusions for Capstone Mining Chile SpA and Capstone Exploraciones, S. A. de C. V.). The credit facility requires the Company to maintain certain financial ratios relating to debt and interest coverage. Capstone was in compliance with these covenants as at March 31, 2019.

At March 31, 2019, there were five Surety Bonds totaling $178.4 million to support various reclamation obligation bonding requirements. This comprises C$72.1 million securing reclamation obligations at the Minto Mine, $118.6 million securing reclamation obligations at Pinto Valley, $4.0 million provided as security as part of a power supply agreement at Pinto Valley, and $1.9 million related to the construction of a port for Santo Domingo in Chile. In addition, the Company has two letters of credit with Scotiabank for a total of $0.5 million.

(tabular amounts expressed in thousands of US dollars, except share amounts)

15. Income Taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to income before income taxes. These differences result from the following items:

	Three months ended March 31, **2019**	2018
Income from continuing operations before income taxes	**$ 18,075**	$ 12,524
Canadian federal and provincial income tax rates	**27.00%**	27.00%
Income tax expense based on the above rates	**4,880**	3,381
Increase (decrease) due to:		
Non-deductible expenditures	**393**	230
Effects of different statutory tax rates	**(1,370)**	(824)
Mexican mining royalty tax	**1,129**	1,184
Impact of losses for which no deferred tax assets were recognized	**1,096**	704
Recognition of tax assets which were previously unrecognized	**-**	(478)
Adjustment to tax estimates in prior years	**164**	(58)
Other	**(223)**	(1,916)
Income tax expense	**$ 6,069**	$ 2,223
Current income and mining tax expense	**$ 2,549**	$ 3,495
Deferred income tax expense (recovery)	**3,518**	(1,272)
Income tax expense	**$ 6,067**	$ 2,223

16. Share Capital

Authorized
An unlimited number of common voting shares without par value.

Stock options
Pursuant to the Company's amended stock option plan, directors may authorize the granting of options to directors, officers, employees and consultants of the Company. Options granted under the plan have a term not to exceed 5 years and vesting periods that range from zero to 3 years.

The continuity of stock options issued and outstanding is as follows:

	Options outstanding	Weighted average exercise price (C$)
Outstanding, December 31, 2018	22,368,783	$ 1.24
Granted	4,632,188	0.58
Exercised	(17,436)	0.33
Expired	(2,725,604)	2.78
Forfeited	(102,604)	1.50
Outstanding, March 31, 2019	24,155,327	$ 0.94

(tabular amounts expressed in thousands of US dollars, except share amounts)

As at March 31, 2019, the following options were outstanding and outstanding and exercisable:

	Outstanding			Outstanding & exercisable		
Exercise prices (C$)	Number of options	Weighted average exercise price (C$)	Weighted average remaining life (years)	Number of options	Weighted average exercise price (C$)	Weighted average remaining life (years)
$0.33	8,072,317	$ 0.33	1.8	8,072,317	$ 0.33	1.8
$0.54 - $0.91	5,066,247	0.59	4.9	-	-	-
$1.20 - $1.68	10,219,693	1.46	2.2	7,551,476	1.45	1.7
$2.59 - $2.84	797,070	2.63	0.8	797,070	2.63	0.8
	24,155,327	$ 0.94	2.6	16,420,863	$ 0.95	1.7

During the three months ended March 31, 2019, the fair value of options granted was $0.9 million (2018 – $1.6 million) and had a weighted average grant-date fair value of C$0.29 (2018 – C$0.72) per option.

Weighted average assumptions used in calculating fair value of options granted during the period were as follows:

	Three months ended March 31,	
	2019	2018
Risk-free interest rate	**1.82%**	2.01%
Expected dividend yield	**nil**	nil
Expected share price volatility	**67%**	67%
Expected forfeiture rate	**5.01%**	4.95%
Expected life	**3.8 years**	3.8 years

Other share-based compensation plans

The Company has other share-based compensation plans in the form of Deferred Share Units ("DSUs"), Restricted Share Units ("RSUs") and Performance Share Units ("PSUs").

The continuity of DSUs, RSUs, and PSUs issued and outstanding is as follows:

	DSUs	RSUs	PSUs
Outstanding, December 31, 2018	3,633,534	8,845,021	6,001,697
Granted	977,425	5,000,279	2,867,903
Forfeited	-	(22,231)	(1,701,693)
Settled	-	(5,563,571)	(2,138,500)
Outstanding, March 31, 2019	4,610,959	8,259,498	5,029,407

During the three months ended March 31, 2019, the fair value of DSUs, RSUs, and PSUs granted during the year was $4.2 million (2018 - $5.4 million) and had a weighted average grant-date fair value of C$0.62 (2018 – C$1.44) per unit.

RSU and PSU obligations, under the Share Unit Plan, can be settled in cash, shares delivered from a Share Purchase Trust or a combination thereof, as determined by and at the discretion of the Human Resources and Compensation Committee of the Company's Board of Directors. DSU obligations, under the Deferred Share Unit Plan, are redeemed in cash. No Capstone shares were purchased during the three months ended March 31, 2019. During the three months ended March 31, 2018, Capstone's Share Purchase Trust purchased 1.8 million Capstone shares for $2.0 million to settle outstanding RSUs and PSUs.

(tabular amounts expressed in thousands of US dollars, except share amounts)

Share-based compensation expense

	Three months ended March 31, 2019	2018
Share-based compensation expense related to stock options	**$ 669**	$ 275
Share-based compensation expense (recovery) related to DSUs, RSUs, and PSUs	**905**	(2,172)
Total share-based compensation expense (recovery)	**$ 1,574**	$ (1,897)

17. Revenue

The Company's revenue breakdown by metal is as follows:

	Three months ended March 31, 2019	2018
Copper	**$ 105,398**	$ 105,195
Silver	**5,080**	$ 4,693
Zinc	**6,284**	2,474
Lead	**1,263**	-
Molybdenum	**1,073**	829
Gold	**(83)**	180
Total gross revenue	**119,015**	113,371
Less: treatment and selling costs	**(10,161)**	(9,681)
Revenue	**$ 108,854**	$ 103,690

Revenue recognized in the reporting period for provisional pricing changes recorded in the above table:

	Three months ended March 31, 2019	2018
Copper	**$ 6,532**	$ (4,759)
Silver	**(256)**	(110)
Zinc	**518**	(153)
Lead	**26**	-
Gold	**(661)**	(63)
Revenue adjustments from provisional pricing arrangements	**$ 6,159**	$ (5,085)

Customer details are as follows:

	2019 Pinto Valley USA	2019 Cozamin Mexico	2019 Total	2018 Pinto Valley USA	2018 Cozamin Mexico	2018 Total
Customer #1	**$ 735**	**$ 32,883**	**$ 33,618**	$ (10)	$ 639	$ 629
Customer #2	**(43)**	**341**	**298**	15,308	31,493	46,801
Customer #3	**15,406**	**-**	**15,406**	30,531	-	30,531
Customer #4	**31,140**	**-**	**31,140**	-	-	-
Customer #5	**17,284**	**2,054**	**19,338**	(942)	-	(942)
Customer #9	**-**	**-**	**-**	17,088	-	17,088
Customer #13	**15,771**	**-**	**15,771**	16,384	-	16,384
Other	**3,444**	**-**	**3,444**	2,761	119	2,880
Total gross revenue	**$ 83,737**	**$ 35,278**	**$ 119,015**	$ 81,120	$ 32,251	$ 113,371

(tabular amounts expressed in thousands of US dollars, except share amounts)

18. Earnings Per Share

Earnings per share, calculated on a basic and diluted basis, is as follows:

	Three months ended March 31,	
	2019	2018
Income per share		
Basic and diluted	**$ 0.02**	$ 0.02
Net income attributable to common shareholders - basic and diluted	**$ 8,336**	$ 6,966
Weighted average shares outstanding - basic	**391,219,806**	388,792,195
Dilutive securities		
Stock options	**4,356,178**	6,751,705
Weighted average shares outstanding - diluted	**395,575,984**	395,543,900
Potentially dilutive securities exclude (as anti-dilutive)		
Stock options	**19,799,149**	17,993,648

19. Supplemental Cash Flow Information

The changes in non-cash working capital items are comprised as follows:

	Three months ended March 31,	
	2019	2018
Receivables	**$ 1,126**	$ 6,018
Inventories	**2,048**	4,332
Other assets	**(2,387)**	(1,879)
Accounts payable and accrued liabilities	**(2,797)**	(303)
Other liabilities	**3**	(2)
Net change in non-cash working capital	**$ (2,007)**	$ 8,166

The significant non-cash financing and investing transactions during the period are as follows:

	Three months ended March 31,	
	2019	2018
Decrease in accounts payable and accrued liabilities related to mineral property, plant and equipment	**$ (390)**	$ (509)
Depreciation of mining equipment capitalized to deferred stripping assets	**$ 1,345**	$ 1,397
Fair value of stock options allocated to share capital upon exercise	**$ 2**	$ 162

(tabular amounts expressed in thousands of US dollars, except share amounts)

20. Segmented information

The Company is engaged in mining, exploration and development of mineral properties, and has operating mines in the US and Mexico. The Company has four reportable segments as identified by the individual mining operations of Pinto Valley (US), Cozamin (Mexico), as well as the Santo Domingo development project (Chile) and Other. Segments are operations reviewed by the CEO, who is considered to be the chief operating decision maker. Minto operations have been classified as held for sale and a discontinued operation.

Operating segment details are as follows:

	Three months ended March 31, 2019				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper	$ 81,948	$ 23,449	$ -	$ -	$ 105,397
Silver	837	4,245	-	-	5,082
Zinc	-	6,284	-	-	6,284
Lead	-	1,263	-	-	1,263
Molybdenum	1,073	-	-	-	1,073
Gold	(121)	37	-	-	(84)
Treatment and selling costs	(7,133)	(3,028)	-	-	(10,161)
Net revenue	76,604	32,250	-	-	108,854
Production costs	(47,902)	(13,187)	-	-	(61,089)
Royalties	-	(919)	-	-	(919)
Depletion and amortization	(11,300)	(5,626)	-	-	(16,926)
Earnings from mining operations	17,402	12,518	-	-	29,920
Exploration expenses	-	(176)	(47)	(535)	(758)
Care and maintenance	(256)	-	-	-	(256)
Restructuring expense	-	-	-	-	-
General and administrative expenses, and share-based compensation	(121)	(183)	-	(5,404)	(5,708)
Earnings (loss) from operations	17,025	12,159	(47)	(5,939)	23,198
Other (expense) income	(117)	(207)	120	(359)	(563)
Earnings (loss) before finance costs and income taxes	16,908	11,952	73	(6,298)	22,635
Net finance costs	(936)	(27)	(4)	(3,593)	(4,560)
Earnings (loss) before income taxes	15,972	11,925	69	(9,891)	18,075
Income tax expense	(2,188)	(3,879)	-	-	(6,067)
Net income (loss) from continuing operations	$ 13,784	$ 8,046	$ 69	$ (9,891)	$ 12,008
Net loss from discontinued operations *(Note 9)*	-	-	-	-	(3,709)
Total net income (loss)	$ 13,784	$ 8,046	$ 69	$ (9,891)	$ 8,299
Mineral properties, plant & equipment additions	$ 12,223	$ 8,210	$ 2,630	$ 143	$ 23,206

(tabular amounts expressed in thousands of US dollars, except share amounts)

	Three months ended March 31, 2018				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper	$ 79,071	$ 26,124	$ -	$ -	$ 105,195
Silver	1,040	3,653	-	-	4,693
Zinc	-	2,474	-	-	2,474
Moly	829	-	-	-	829
Gold	180	-	-	-	180
Treatment and selling costs	(7,744)	(1,937)	-	-	(9,681)
Net revenue	73,376	30,314	-	-	103,690
Production costs	(55,083)	(9,722)	-	-	(64,805)
Royalties	-	(933)	-	-	(933)
Depletion and amortization	(11,435)	(4,720)	-	-	(16,155)
Earnings from mining operations	6,858	14,939	-	-	21,797
Exploration expenses	-	(56)	(59)	(405)	(520)
Care and maintenance	(283)	-	(680)	-	(963)
General and administrative expenses, and share-based compensation	(256)	(89)	-	(3,014)	(3,359)
Earnings (loss) from operations	6,319	14,794	(739)	(3,419)	16,955
Other income (expense)	214	(1,070)	190	621	(45)
Earnings (loss) before finance	6,533	13,724	(549)	(2,798)	16,910
Net finance costs	(886)	(41)	-	(3,459)	(4,386)
Earnings (loss) before income taxes	5,647	13,683	(549)	(6,257)	12,524
Income tax expense	961	(3,184)	-	-	(2,223)
Net income (loss) from continuing operations	$ 6,608	$ 10,499	$ (549)	$ (6,257)	$ 10,301
Net loss from discontinued operations *(Note 8)*	-	-	-	-	(3,554)
Total net income (loss)	$ 6,608	$ 10,499	$ (549)	$ (6,257)	$ 6,747
Mineral properties, plant & equipment additions	$ 14,239	$ 7,098	$ -	$ -	$ 21,337

	As at March 31, 2019					
	Pinto Valley	**Cozamin**	**Minto**	**Santo Domingo**	**Other**	**Total**
Mineral properties, plant and equipment	**$ 708,597**	**$ 134,338**	**$ -**	**$ 243,518**	**$ 5,362**	**$ 1,091,815**
Total assets	**$ 807,012**	**$ 178,359**	**$ 48,670**	**$ 250,532**	**$ 66,244**	**$ 1,350,817**
Total liabilities	**$ 145,488**	**$ 68,983**	**$ 43,604**	**$ 1,307**	**$ 227,190**	**$ 486,572**

	As at December 31, 2018					
	Pinto Valley	Cozamin	Minto	Santo Domingo	Other	Total
Mineral properties, plant and equipment	$ 710,817	$ 129,562	$ -	$ 240,933	$ 1,867	$ 1,083,179
Total assets	$ 802,440	$ 174,066	$ 49,870	$ 247,790	$ 61,956	$ 1,336,122
Total liabilities	$ 141,800	$ 69,771	$ 41,819	$ 1,106	$ 229,275	$ 483,771