

July 30, 2019

Capstone Mining Q2 2019 Results: Continued Operating Momentum

(All amounts in US\$ unless otherwise specified)

Vancouver, British Columbia - Capstone Mining Corp. (“Capstone” or the “Company”) (TSX:CS) announced its production and financial results for the three and six months ended June 30, 2019 (“Q2 2019”). Total copper production from continuing operations for Q2 2019 totaled 37.7 million pounds of copper at a consolidated C1 cash cost¹ of \$1.78 per pound, with operating cash flow of \$30.3 million. For full financial and operational results, refer to Capstone’s [Q2 2019](#) Management’s Discussion and Analysis and Unaudited Condensed Interim Consolidated Financial Statements (“MD&A and Financial Statements”).

Q2 2019 HIGHLIGHTS AND SIGNIFICANT ITEMS

- **Pinto Valley had a strong second quarter with production of 29.0 million pounds of contained copper.** Higher mine productivity allowed for mining of higher grades than expected in the quarter. Metallurgical recoveries also improved to 87%.
- **Cozamin growth plan.** Development of the one-way ramp system is on schedule for completion by the end of 2020, which is expected to increase copper output by 30% to between 40 to 45 million pounds per annum. In addition, Cozamin initiated a large in-fill definition drilling program during the quarter that will target resource to reserve conversion to support a doubling of Cozamin’s mine life.
- **Immediate elimination of ongoing care and maintenance costs at Minto mine,** which was sold during the quarter for up to \$20 million. See news release dated [June 3, 2019](#) for full details. Minto was sold for a gain of \$5.8 million prior to the reclassification of built-up foreign exchange losses in equity. The loss on disposition of \$24.5 million included a negative \$30.3 million of non-cash cumulative foreign currency translation adjustments, which were reclassified from a separate component of shareholders’ equity to net income (loss).
- **Repayment of \$20 million made on the senior secured corporate revolving credit facility (“RCF”),** resulting in a net debt¹ position of \$147.5 million and a peer leading Net Debt to EBITDA ratio of 1.26x.
- **On July 25, 2019, the Company extended and amended the \$300 million RCF to July 2022,** with improved terms including the removal of future facility reduction of \$25 million and the removal of a 50-basis point increase to the pricing grid. **The improved pricing will result in savings of approximately \$1 million per year in interest costs.**
- **Company-wide cost reduction program totalling approximately \$25 to \$30 million in annualized savings,** using 2018 as the baseline. Actions completed to date are forecasted to amount to annualized savings of \$20 million.
- **2019 production and C1 cash cost¹ guidance.** Capstone now expects to be at the higher end of consolidated production guidance, of 145-160 million pounds, and at the lower end of consolidated C1 cash cost¹ guidance of \$1.80-\$2.00 per payable pound produced.

“We are pleased with our strong Q2 results coming in better than we anticipated, especially when we consider the temporary interruption at Pinto Valley caused by the wildfires in June,” said Darren Pylot, President and CEO of Capstone. “We are on track to finish the year towards the higher end of our production guidance and at the low end of our cash cost guidance.”

Mr. Pylot continued, “Looking ahead, we have identified a number of initiatives to further reduce expenditures throughout the business and are making steady progress on our strong organic growth pipeline. We are in the process of articulating the longer-term outlook for the Company. Cozamin’s growth plan is on track to increase production by 30% by the end of 2020 and we are targeting doubling the mine life to up to 2030. Pinto Valley’s ‘PV4’ expansion plan includes options to capitalize on the roughly one billion tonnes of resources, including potentially expanding the mill by as much as 25% to 75% or higher. Finally, we remain actively engaged on the strategic process at Santo Domingo and look forward to communicating developments as appropriate.”

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

CORPORATE UPDATE

Cost Reduction Program

Capstone is progressing on a company-wide cost reduction program which is expected to total approximately \$25 to \$30 million in annualized savings, using 2018 as a baseline, as follows:

- Approximately \$15 to \$20 million at Pinto Valley from contractors, power and consumables costs.
- \$4 million from corporate G&A costs resulting from 2018's reorganization.
- \$5 million from no longer having Minto mine on care and maintenance.
- \$1 million from future interest costs savings due to an amendment on the RCF interest pricing grid.

Actions completed to date amount to sustainable annualized savings of approximately \$20 million. This total includes the corporate office restructuring, Minto disposition and interest cost savings, and \$10 million of savings achieved to date at Pinto Valley, primarily consisting of manpower and contractor savings as a result of the 2018 collective bargaining agreement (\$6 million) and improved power pricing (\$1.5 million).

Pinto Valley Expansion Study: PV4

Preliminary work continued in the quarter to evaluate potential expansion scenarios at Pinto Valley to take advantage of nearly one billion tonnes of resources not currently in reserves, broadly herein referred to as "PV4". During the second half of 2019, PV4 activities will be focused on further refining estimates and evaluating alternative infrastructure options, largely surrounding tailings and water. It is anticipated that Capstone will complete the necessary studies to select a preferred expansion alternative by the end of the year.

Cozamin Growth Plan

Development work on the one-way ramp system continues to be on-schedule for completion by the end of 2020, increasing copper output by 30% to between 40 to 45 million pounds of copper per annum.

In addition, Cozamin initiated a large in-fill definition drilling program that will target resource to reserve conversion to define additional reserves to support a doubling of Cozamin's mine life. The drilling to be completed in 2019 does not impact Cozamin's exploration expenditure guidance.

Santo Domingo Project Progress

On [November 26, 2018](#), the Company announced the results of an updated technical report for the Santo Domingo project, which showed a net present value ("NPV") (after tax, 8% discount rate) of \$1.03 billion, and launched a process to evaluate strategic alternatives for the financing and development of the project. Additional efforts to date have resulted in significant advancements and improvements to the project, which is expected to increase the project's NPV. Progress includes:

- Developing a PEA technical report on recovering battery-grade cobalt. We expect to announce the results of the PEA by the end of 2019.
- Assess the potential to share significant infrastructure with local mines and public utilities.
- Evaluate the utilization of autonomous mine fleet and operations, reducing both capital and operating costs.
- Currently in late-stage negotiations to secure both power and water purchase agreements. Current indications suggest that power costs may be approximately 10% lower than estimated in 2018, with water costs being broadly in-line with estimates.
- Results from recent metallurgical optimization test work report improvement in gold recovery by approximately 7 to 10 percentage points, from approximately 60%.

The Closure Plan was approved by the Chilean government in July 2019. Capstone has now obtained all permits and approvals for the start of construction from the Chilean authorities. The strategic process, which was launched in early 2019, is on-going and is aimed at evaluating alternatives regarding the project which may include the sale of a portion of the project.

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

BOARD APPOINTMENT

Capstone is also announcing the appointment of Min Geol Ryu to the Company's Board of Directors as KORES' nominee, effective as of July 30, 2019. Yong Jun Park will be stepping down from the Board of Directors, also effective July 30, 2019.

"We would like to welcome MG to the Board and thank Yong Jun Park for his service as a director," said Mr. Pylot.

Min Geol Ryu currently leads Korea Resources Corporation's (KORES) Metals Team, managing overseas copper projects. Mr. Ryu has been with KORES since 1994 and held numerous positions which include Senior Mine Planning Manager of the Boleo Mine, Chief Representative of KORES' South Africa office and Team Leader of the KORES South Africa Exploration Team. Mr. Ryu has been serving as a director of Capstone Mining Corp.'s 70% owned subsidiary, 0908113 BC Ltd. since 2018. Mr. Ryu holds a Bachelor of Science in Engineering (Mining & Minerals) from the INHA University, Korea.

PRODUCTION RESULTS

Refer to Capstone's [Q2 2019 MD&A and Financial Statements](#) for detailed operating results.

	Q2 2019	Q2 2018	2019 YTD	2018 YTD
Copper Production (million pounds)				
Pinto Valley	29.0	29.6	61.7	54.8
Cozamin	8.7	7.7	17.4	17.2
Total from continuing operations	37.7	37.3	79.1	72.0
Total copper sales from continuing operations (million pounds)	45.5	31.7	80.9	66.9
C1 Cash Cost¹ (\$/lb) Produced				
Pinto Valley	2.00	2.15	1.89	2.27
Cozamin	1.06	0.67	0.88	0.69
Consolidated from continuing operations	1.78	1.84	1.67	1.90

Consolidated:

Q2 2019 copper sales of 45.5 million pounds at realized copper prices of \$2.56/lb. Q2 2019 realized price was impacted by adjustments recorded on provisionally priced Q1 2019 sales. 2019 YTD realized copper price was \$2.75/lb. which compared to the LME average for the same period of \$2.80/lb.

Pinto Valley:

For the six months ended June 30, 2019, overall production increased primarily due to a 13% increase in copper grade (2019 YTD – 0.34% vs. 2018 YTD – 0.30%). Cash production costs (including stripping costs) was \$105 million, compared to \$114 million for YTD 2018, as a result of manpower and contractor savings, lower diesel prices and lower power and consumables costs.

Cozamin:

Production increased in Q2 2019 vs. Q2 2018, primarily as a result of an increase in throughput at the mill (3,121 tpd in Q2 2019 vs. 2,464 tpd in Q2 2018). C1 cash costs¹ increased for the quarter (Q2 2019 and 2019 YTD compared with the same period last year), due to an increase in operating costs at Cozamin, primarily driven by an increase in operating development meters (2019 YTD was 5,705 meters and 2018 YTD was 3,920 meters), to build mineral inventory to support increased mining rates planned for 2021.

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CONFERENCE CALL AND WEBCAST DETAILS

Capstone will hold a conference call on Wednesday, July 31, 2019, at 11:30 a.m. Eastern time (8:30 a.m. Pacific time) to discuss these results. This release is not suitable on a standalone basis for readers unfamiliar with Capstone and should be read in conjunction with the Company's MD&A and Financial Statements for the three and six months ended June 30, 2019, which are available on Capstone's [website](#) and on SEDAR, all of which have been reviewed and approved by Capstone's Board of Directors. An updated corporate presentation will also be available at <https://capstonemining.com/investors/events-and-presentations/default.aspx>.

Date: Wednesday, July 31, 2019
Time: 11:30 am Eastern Time (8:30 am Pacific Time)
Dial in: North America: 1-888-390-0546, International: +416-764-8688
Webcast: <https://event.on24.com/wcc/r/2028633/C3146C2432827A743851FDBBB7430C73>
Replay: North America: 1-888-390-0541, International: +416-764-8677
Passcode: 674300#

The conference call replay will be available until August 7, 2019. Following the replay, an audio file will be available on Capstone's [website](#).

ABOUT CAPSTONE MINING CORP.

Capstone Mining Corp. is a Canadian base metals mining company, focused on copper. We are committed to the responsible development of our assets and the environments in which we operate. Our two producing mines are the Pinto Valley copper mine located in Arizona, US and the Cozamin polymetallic mine in Zacatecas State, Mexico. In addition, Capstone has the large scale 70% owned copper-iron Santo Domingo development project in Region III, Chile in partnership with Korea Resources Corporation, as well as a portfolio of exploration properties. Capstone's strategy is to focus on the optimization of operations and assets in politically stable, mining-friendly regions, centred in the Americas. Our headquarters are in Vancouver, Canada and we are listed on the Toronto Stock Exchange (TSX). Further information is available at www.capstonemining.com.

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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 "anticipated", "potential", "further", "guidance", "targeting", "target", "potentially", "will", "evaluate", "expanding", "further", "expected", "expects", and "expect". By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors

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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, Capstone's ability to realize the cost savings anticipated and to successfully complete the Santo Domingo strategic process, 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 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, risks associated with the PV4 expansion and the Cozamin growth plan, increased operating and capital costs, challenges to title to our mineral properties, maintaining ongoing social license to operate, dependence on key management personnel, potential conflicts of interest involving our directors and officers, corruption and bribery, limitations inherent in our insurance coverage, labour relations, increasing energy prices, competition in the mining industry, risks associated with joint venture partners, our ability to integrate new acquisitions into our operations, cybersecurity threats, legal proceedings, and other risks of the mining industry as well as those factors detailed from time to time in the Company's interim and annual financial statements and MD&A of those statements, all of which are filed and available for review under the Company's profile on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause our actual results, performance or achievements to differ materially from those described in our forward-looking statements, there may be other factors that cause our results, performance or achievements not to be as anticipated, estimated or intended. There can be no assurance that our forward-looking statements will prove to be accurate, as our actual results, performance or achievements could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on our forward-looking statements.

NATIONAL INSTRUMENT 43-101 COMPLIANCE

Unless otherwise indicated, Capstone has prepared the technical information in this news release ("Technical Information") based on information contained in the technical reports, news releases and MD&A's (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.

ALTERNATIVE PERFORMANCE MEASURES

The items marked with a "¹" are alternative performance measures and readers should refer to Alternative Performance Measures in the Company's Management's Discussion and Analysis for the three months and six months ended June 30, 2019 as filed on SEDAR and as available on the Company's website.

CAUTIONARY NOTE TO UNITED STATES INVESTORS

This news release contains disclosure that has been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of US securities laws. Without limiting the foregoing, this news release may refer

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to technical reports that use the terms "indicated" and "inferred" resources. US investors are cautioned that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. Under US standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. US investors are cautioned not to assume that all or any part of indicated resources will ever be converted into reserves. US investors should also understand that "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of "inferred resources" will ever be upgraded to a higher category. Therefore, US investors are also cautioned not to assume that all or any part of inferred resources exist, or that they can be mined legally or economically. Accordingly, information concerning descriptions of mineralization and resources contained in this news release may not be comparable to information made public by US companies subject to the reporting and disclosure requirements of the SEC.

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